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and BUSINESS ANALYST

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1955 Mid-Year Dividend Forecast

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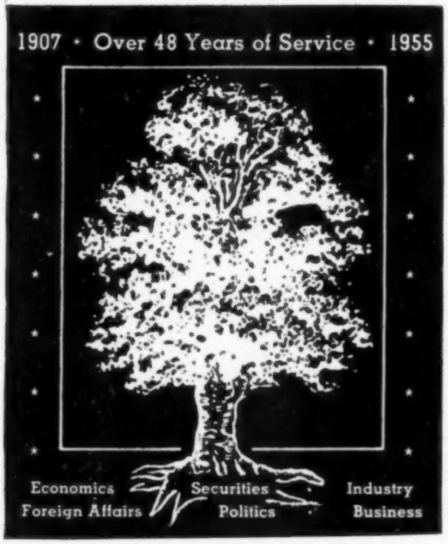
THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher*　　E. D. KING, *Managing Editor*



The Trend of Events

DANGEROUS UNION LEADERSHIP . . . As the nation followed the course of the steel wage negotiations, it was with a feeling of dismay that it observed that the head of the steel union, Mr. McDonald, did not hestitate to place the entire economy in jeopardy by the size of his demands. No doubt, the easy success of Mr. Reuther in the outcome of his negotiations with Ford and General Motors on the guaranteed wage aroused the envy of Mr. McDonald who has ambitions for labor leadership rivaling those of the automobile union chief. That an important industry and 600,000 workers, let alone the nation, should be pawns in a struggle for power between two labor chieftains deserves the severest condemnation. No one, however, should blame the rank and file of the union membership for such a demonstration of lack of concern with the legitimate rights of the population. It is not they but their leaders who, evince total ruthlessness in their rush for power. That they are able to extract huge wage concessions from industry is an index of their growing power.

MR. MOLOTOV PAYS US A VISIT . . . Americans have been very much puzzled by Mr. Molotov's visit to this country. From their standpoint, the least significant feature of his visit was his official attendance at the San Francisco commemorative exercises of the United Nations. Much more intriguing to Americans, unaccustomed to such a performance on his part, was his traipsing through the corridors of the Metropolitan Museum and the Museum of Natural History in New York, his journey through the stockyards of Chicago and that 10-gallon cowboy hat which somebody in the Wild West gave him. Above all, Americans have been dumbfounded by the smile which adorned the otherwise grim visage of the Soviet Foreign Minister throughout his journey in this broad land of ours.

For our part, we must confess that we are disconcerted by this unwonted spectacle. This is not the V. M. Molotov we know. This is somebody else. The Molotov ("hammer" in Russian) we know is that hard-hearted, iron-fisted, stony-faced agent of the even-more-sinister Joe Stalin. This is the Molotov we have become accustomed to. We understand this tough customer and know how to deal with him, but the charming, easy-going, smiling Molotov disconcerts us. No wonder some of us uneasy souls look back with nostalgia on the simple days when all we had to fight was a rambunctious, fire-eating, double-crossing Kremlin.

RISE IN INTEREST RATES AHEAD? . . . Quite imperceptibly the interest rate has been rising. The latest instance is the increase in loan rates by banks to brokers and dealers in non-government securities. The increase was from $2\frac{3}{4}\%$ to 3%. This would seem to herald an advance in the prime commercial rate from the present 3% to $3\frac{1}{4}\%$. Pressure for funds generally is likely to increase in the balance of the year, a condition from which the government itself is not likely to be exempt. Loans on new

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELLORS: :1907—*"Over Forty-seven Years of Service"*—1955

housing are also commencing to feel the impact of the tighter situation and this trend is likely to spread over into other types of loans.

There is, of course, no real scarcity of loanable funds. What has happened has been the ending of a period of exceptional ease in the money market in response to the rising demand for credit from rapidly expanding industry and business over the past year. This is a normal development, under the conditions. However, we should be prepared to see money rates advance further, though at a slow rate. This is already reflected in the adjustment to lower prices now taking place in the bond market, as yields commence to rise in response to dearer money. If this trend should become prolonged, the investment markets over the longer-term could not escape the effects.

EXTENDING NATIONAL DEBT LIMIT . . . The "temporary" increase of $6 billion in the national debt which Congress decreed last year, raising the ceiling to $281 billion against the old limit of $275 billion, has now turned into what seems a permanent increase. At any rate, Congress has again voted to maintain the $281 billion ceiling for another year. Judged from the present state of the Treasury, it will be difficult to hold the debt even to this limit in the balance of the year, in view of the size of the budget now contemplated for fiscal 1956.

On July 1, the end of the fiscal year, the budgetary deficit amounted to only about $1 billion but the Treasury escaped a larger deficit only because the huge volume of anticipated corporate tax receipts during the first half of this calendar year was made possible by the "Mills Plan". In the next half, however, with these pre-payments already accounted for, the deficit is bound to rise rapidly as Treasury receipts fall off and expenditures are maintained at chronically high levels. Some competent observers have estimated that the resulting deficit in the final half of the year will amount to possibly as much as $7-8 billion. Since the debt on July 1 already stood at about $274 billion, any such increase may place even the new $281 billion debt ceiling in jeopardy.

These facts are well known to members of Congress and the Administration. Notwithstanding, many political leaders, in and out of Congress and in both parties, are holding out the promise of tax cuts to the public next year — this, of course, with the national elections in mind. Yet, unless the Administration and Congress have not altogether collectively taken leave of their senses, they cannot possibly put through a tax reduction next year without raising the deficit to even greater heights. But, politics being what it is in this country, this is precisely what we may get, in other words, a tax cut simultaneously with a bigger deficit than ever.

GAIN IN WORLD ECONOMY . . . According to the United Nations' annual "World Economic Report" there was notable improvement in international trade which was up some 7% in 1954 over the year before. One of the most significant features of the change for the better in many countries outside the Iron Curtain, especially in Western Europe, was that it occurred in the face of the recession in the United States which started in mid-summer in 1953 and continued until the Spring of 1954. Many had feared that a downturn in economic activity in the United States would bring a blight to the still tender plant of economic recovery in Western Europe, let alone the even weaker areas of the free world. That the U. S. recession had no such effect is an indication of the strength of the foundation laid by the Marshall Plan and other aid from this country which was such an important factor in the world economic recovery.

Along with the improvement in international trade, there have been some gains in the dollar shortage situation. Thus, gold reserves and dollar holdings of countries outside the United States rose from $15.4 billion at the end of 1949 to $23.5 billion at the end of 1954, and are now close to $25 billion.

As satisfactory as is this showing, it cannot be assumed that the nations are altogether out of the economic woods. Many of them still receive substantial though decreasing aid from the United States, either in direct governmental loans or through military expenditures for the purchase of equipment or the maintenance of our forces. Furthermore, competition from some of these countries such as Germany and Japan is adding to the difficulties of many competing nations, a situation in which the United States is also involved. There is also the ever-present threat of renewed inflation abroad with the steady increase in the volume of new raw materials purchased elsewhere to meet rising industrial and consumer demand at home.

TRAFFIC CONGESTION AND THE ECONOMY . . . A recent survey of traffic conditions in New York City shows that tie-ups in the delivery of goods cost the business interests of the metropolis over $1 billion annually. These costs, it is stated, come out of the pockets of the public in the form of higher prices for the goods they buy. No doubt, similar conditions obtain in other large metropolitan centers, with an aggregate loss running into many billions of dollars a year.

Civic authorities have struggled with these problems for years but their capacity to deal with them effectively seems to diminish as the problems grow more complex. With a gigantic volume of goods pouring into and out of urban centers at an ever-increasing rate, congestion at distributing points in highly concentrated city areas is reaching all the way back for hundreds of miles to warehouses, terminals and, even, manufacturing plants.

In the not too distant future, as a consequence of these conditions, we can visualize a situation whereby production on a national scale can be stunted unless the traffic problem is attacked on a much more comprehensive scale than has been true up to the present. Obviously, our major cities, and this applies to innumerable smaller cities and towns, as well, are unprepared to cope with the situation because their streets were laid out to meet the requirements of a simpler age. Today, such facilities are totally inadequate. Since we cannot tear up our cities and construct wider (*Please turn to page* 504)

As I See It!

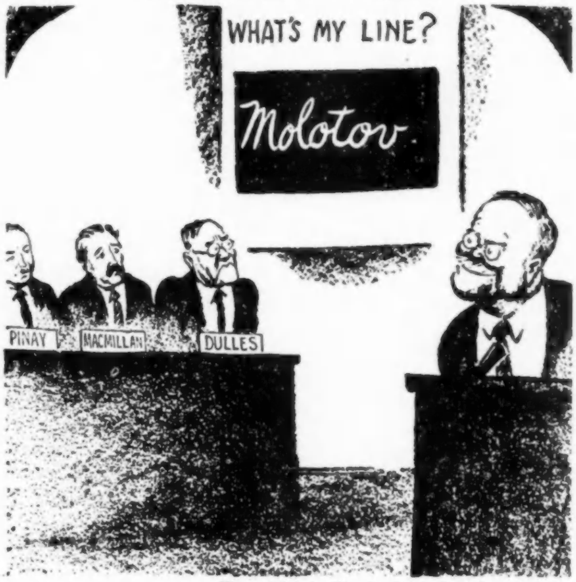
By JOHN CORDELLI

THE WEST CAN GET WHAT IT WANTS IN GENEVA

Washington is reported to be pouring out literally tons of reports and memoranda these days for the use of the President and his advisors during the forthcoming "summit" meetings of the Big Four in Geneva. If this humble department had an opportunity to have its memorandum reach Presidential eyes, the memorandum would read something as follows: "Mr. President, forget the tons of reports that have been prepared for you. Don't compromise or yield ground for the sake of Comrade Bulganin's friendly smile. By showing initiative at the proper times, by being firm in your convictions and positive about the things that you believe are right, you can get more concessions from the Kremlin than at any other time since its back was against the wall at Stalingrad.

"You can do this, Mr. President," the memorandum would read, "because the Russians are on the run. They are ready to yield ground for many reasons. The Bandung-Java Conference showed that even the so-called colonial peoples of Africa are beginning to see through the mumbo-jumbo of communist talk. It will be difficult for them to win new allies. The appeal and power of communism is ebbing."

'INTERNATIONAL TV SHOW'



Fitzpatrick in The St. Louis Post-Dispatch

The united front of the Free peoples of the World is now stronger than ever, having withstood the test of Germany rearmament which the Kremlin hoped would weaken the bonds. Any Russian doubts on the subject of NATO solidarity should have been dispelled by the speech of Foreign Affairs Minister Pinay of France in San Francisco.

But while the Western World has been composing some of its most serious differences, this could hardly be said about the different cliques of would-be dictators in the Kremlin. The successor for Stalin's mantle is yet to be found. A group of British students that recently returned from a visit to the Soviet Union was struck by a "curious, simmering undercurrent of excitement." This excitement is apparently being fed by the speculation of the man in the street as to "who among the Soviet oligarchy would be the next autocrat and how thoroughly he would succeed." (*) All of a sudden the docile Ivan seems to be realizing that his Olympus is no longer peopled by semi-gods, but by plain mortal beings. This does not mean that there will be an open uprising in Russia. Far from that. Rather, it may mean that the people may no longer act as guinea pigs for communist theories as willingly as in the past, and that consequently the Kremlin will have to watch its step. Two generations have now been sacrificed to the theories of communism. It remains to be seen whether the present generation, composed of millions of skilled technicians, engineers, and miners will continue to be satisfied with an existence on bare subsistence levels.

Just now it looks as though the gap between the Western and the Russian standards of living is widening again and that the few niceties of life which the Russian people won since the end of the Second World War — partly, of course, by milking the satellites — will again be taken away from them. The main reason for this is that the Kremlin has bitten off more than it can possibly digest. It has attempted altogether too much militarily and economically for a nation whose productive capacity is only about 25 to 30 per cent that of the United States, and about 14 to 18 per cent that of the combined NATO countries.

The pace of arming, which is difficult enough for the United States to maintain, is killing the Russian economy, particularly as the Kremlin is trying to overcome the lag of the last few years. True, its effort has apparently been crowned with some success in aircraft building. The Soviet Navy too has undergone some remarkable expansion. But the strain has been great. (*Continued on page* 000)

(*) J. Bartlett Brebner in *Foreign Policy Bulletin*, June 15, 1955

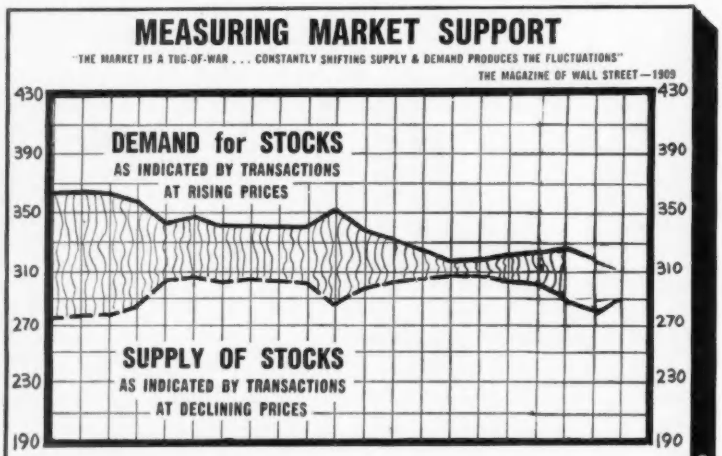
More Profit-Taking in Erratic Market

Market advance was modestly extended during the last fortnight in increasingly laborious fashion, and with performance of individual stocks highly mixed. If not yet extreme, the present price level is nevertheless a relatively advanced one, requiring increased prudence and selectivity in your portfolio management.

By A. T. MILLER

It is quite possible that the stock market's May-June phase of advance will be extended in some degree, even if only moderately, in either July or August, in line with the seasonal pattern which has prevailed in the great majority of past years. However, the market began to look tired during the last fortnight and in need of at least a temporary pause or minor correction, despite attainment of a new bull-market high June 22 by the previously laggard Dow rail average, and of a new all-time high June 30 by the industrial average just before start of the unexpected steel strike. The further rise was largely due to special strength in less than half a dozen prominent stocks, most notably du Pont, General Motors, Standard Oil (New Jersey) and U. S. Steel. It was followed by recession on strike news in last week's final trading session.

Under cover of stand-out strength in a minority of issues, a good many stocks have evidently been under liquidation. For example, in five recent trading sessions, with the industrial average gaining over 5 points to a new peak, average daily number of declines in individual stocks was almost identical with average daily number of advances in individual stocks. Particularly disappointing was the fact that rails — after a one-day June 22 spurt of 2.74 points, which took the average a clear-cut 1.72 points above its April high — were unable to hold the gain, and promptly encountered profit taking. These preliminary indications of profit-taking tendencies were followed by mild recession and selective churning-around toward the end of the trading week through July 1, with price trends changing almost hourly with developments in steel wage negotiations.

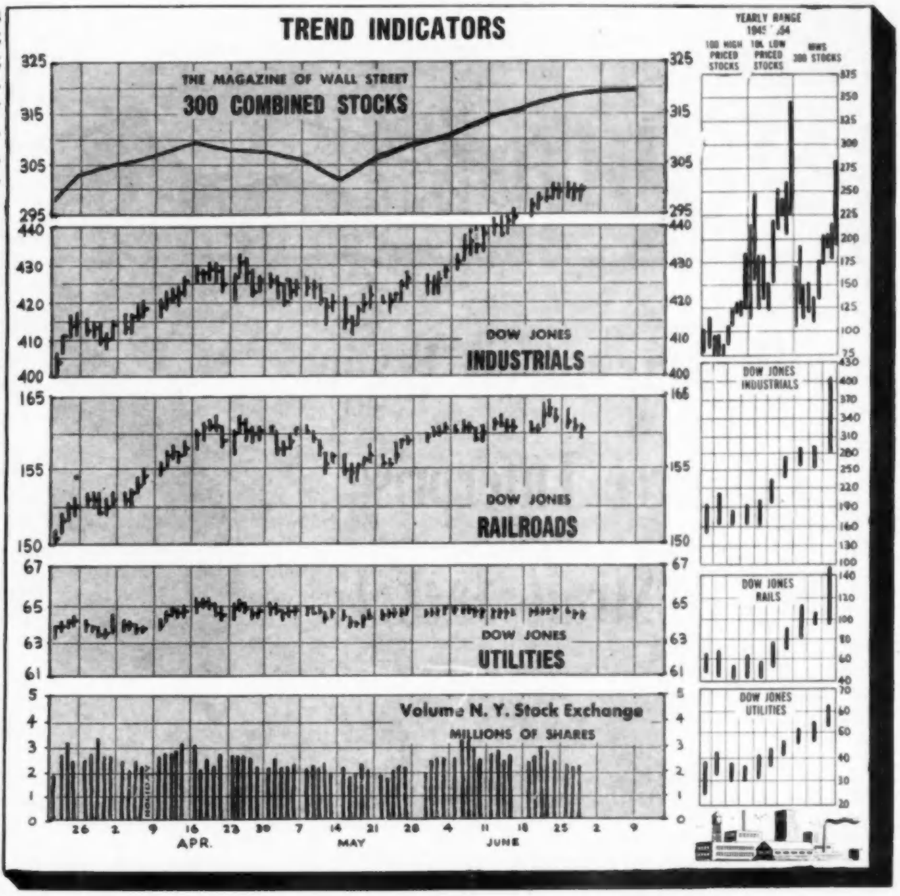


Increasing Caution Called For

More than moderate technical reactions of short duration would be unusual around this season of the year, and basis for serious decline cannot now be cited in the absence of evidence of significant business recession — as distinct from the more or less normal summer slackening already under way — and in the absence of a really tough credit policy by the monetary authorities. On the other hand, potentials for summer rise have been limited by advance of the industrial average by about 36 points from the mid-May reaction low in a period of about 6 weeks, and by the fact that this extension of the bull market is superimposed on major and protracted prior advance. No stocks are now cheap on an absolute basis; most are fairly high to very high. Average yields are the lowest, and the spread between them and bond yields the narrowest, in a great many years.

Stock A is being favored over stock B because it "looks cheaper" — although, with both over-priced, it would be more accurate to say that stock A "looks somewhat less dear" than stock B. With the general level one of at least ample valuation, further advance means over-

valuation unless earnings hold close to the present high rate through the rest of the year and unless dividends rise fairly sharply between now and the year-end. As usual in such a situation, the market position is being defended and rationalized by all with a vested interest in it, including brokers. Since valuations are less extreme than at most past bull-market highs, it is argued that the position is not vulnerable and that more advance is likely. That may be so. But it is something like saying to a latecomer bull in the market: "On the basis of past experience, you should be able to crawl out at least moderately further on this limb — just how far is hard to say — before it breaks".



At 25 or more times earnings, and at yields of 1% to 2%, many so-called growth stocks are discounting potentials some years ahead — and many things, including some unpleasant ones, can happen before those rosy potentials develop. The time has come to put more emphasis on what is prudent from a longer-term perspective in your decisions to buy, hold or sell stocks, than on what the prices thereof might do this summer. Regardless of what institutional-fund managers do with other people's money, is it prudent for you as an individual to buy now? If you are thinking of buying now for short-term profits and cashing in before this bull market ends, the answer is no. If you are carrying out a dollar-averaging program with bit-by-bit savings, or any equivalent thereof, the answer is yes, provided you confine it to properly qualified stocks for long-pull purposes.

Should you take some profits now or on possible summer market strength? If it is your policy to stay married to good stocks more or less for keeps and to ignore interim market fluctuation, the answer is no; for that policy figures to work out better, at least in an average lifetime, than will in-and-out market operations. But if you bought stocks to sell for profit in this bull market, what are you waiting for? The sky? Particularly where profits are large, clinch some and write down the cost of your investment.

The Dow industrial average is about 15.1 times estimated per-share net of $29.75 a share for 12 months ended March 31, yielding 4.16% on dividends of about $18.70 a share for the same 12 months. This is a pay-out of 63% of earnings. At the 1929 high the price-earnings ratio was 19.9, the yield 3.36% and that year's pay-out was 64%. At the 1937 bull-market top the ratio was 16.9, the yield 4.51%, with that year's pay-out 76%. The latter was 55% in 1946; and at that year's market peak the price-earnings ratio was 15.6, dividend yield 3.53%. It is conceivable that 1955 earnings on the average will approximate $33 a share, dividends $21 — in which case the P-E ratio figures 13.7 and the potential yield about 4.65%. Either way, the market "is getting up there"; and valuations are being figured more and more on future potentials, which are not guaranteed and which necessarily are "iffy".

The business factor and the money-market factor are currently on the less positive side. At least for the time being, we have had the business rise. How much will production sag in July? How much rebound in August? Will the fourth quarter take up where the active second quarter left off? Can the May top in production be bettered within the rest of 1955? What's the significance of the unusually early June easing in automobile sales? Of recent slowing in building contract awards?

As regards money rates, the details of Federal Reserve policy and of the Treasury's summer financing are conjectural as this is written; but, whatever they are, all indications point to further hardening of interest rates, which will exert moderate further pressure on the bond market, tending further to narrow the spread between stock and bond yields.

—Friday, July 1.

Will Guaranteed Wage Put Free Enterprise Into A Strait Jacket?

By THOMAS L. GODEY

Something close to a revolution in the relation between industrial management and labor was started in this country a few weeks ago, when negotiators for the United Automobile Workers, with surprising ease, got the Ford Motor Co. and General Motors Corp. officials to agree to the principle of the "guaranteed wage". The significance of this development is that, for the first time in the history of American industry, the principle has been established that private employers have a direct responsibility to secure employes against wage loss resulting from lay-offs. (The government and States, of course, have long since recognized the principle through unemployment insurance.)

Although another year must pass before the new plan becomes operative for General Motors and Ford, there is reason to believe that between that time and the present, acceptance of the "guaranteed wage' by other companies and, probably, by industries other than automobile, will become commonplace. Eventually, say possibly within five years, the principle will be firmly established throughout industry.

Basic Features of Guaranteed Wage

Before discussing the long-term effects of this major development in our economy, so far as they can be foreseen at this early stage, a definition of the "guaranteed wage" would be in place. A simple yet effective definition would be: *a wage payment by employers to supplement State unemployment insurance during periods of unemployment.*

Actually, the term "guaranteed wage" is a misnomer as, in the case of the plan adopted by Ford and General Motors, there has been no attempt to insure wages for the worker for the entire year but only for a specified period—26 weeks. Even on this basis, there is no guarantee of wages at the full hourly rate. Instead, the workers are assured of 26 weeks lay-off pay to equal 60-65% of their normal take-home pay, including unemployment compensation. Nevertheless, this is, indeed, a very big step forward for labor and will represent a substantial increase in operating costs for the companies.

In this connection, it should be understood that a somewhat novel element has been added to corporate costs, in that management will now visualize its labor costs as part of its general over-head, in very much the same way as bond interest, maintenance and depreciation, and rent. This means that the annual wage bill of the typical corporation, operating under the so-called "guaranteed wage" plan will tend to become much more frozen than in the past, and it will become, in the truest sense, a fixed cost. Obviously, this will increase the need for stable operations spaced out evenly throughout the year. Furthermore, since costs are to be increased this will entail (1) higher productivity on the part of labor, (2) increased dependency by employers on automatic processes in manufacturing (automation) and (3) a generally stable, if not increasing volume of business. All three factors must operate in order to ensure that the corporation fully offset the higher labor costs caused by supplementary wage benefits.

As outlined in the Ford and General Motors plan and which, presumably, will be the precedent adopted in other industries, the financing of supplemental wage insurance will be through a special fund to be set up by the companies. Their liability is fixed by the size of the fund. In the case of Ford, the fund is $55 million; General Motor's fund will be $150 million. If these funds should be exhausted, as in a period of protracted heavy unemployment, the

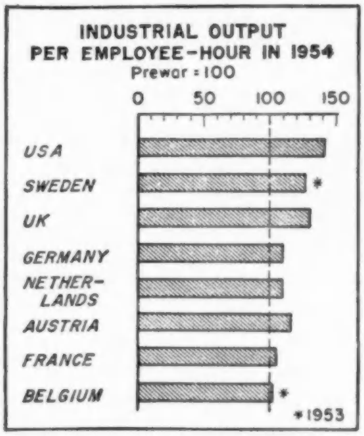
workers would no longer obtain this share of their unemployment insurance, but, of course, they would continue to receive limited State aid.

Employers Want Higher State Benefits

Unemployment insurance benefits now must be viewed as deriving from two sources (1) private industry and (2) State unemployment insurance funds, whereas prior to the "guaranteed wage" they were limited to State funds. Since the amount of the new wage obligations incurred by the employer under the new plan is determined to a large extent by the size of State unemployment benefits, it is obviously to the advantage of the employer to see that these benefits are increased in order that his own may be reduced.

A quite serious complication has been added through statutory provisions by many States forbidding the payment of unemployment benefits to workers if they find jobs during periods of unemployment, or if they receive benefits from old employers. In practice, the system of dual benefits envisaged by the "guaranteed wage" contracts just signed is forbidden by most States. It is clear, therefore, that a long legal battle is shaping on this issue but, in the long run, modifications in existing laws are to be expected, thus creating a much stronger legal basis for higher benefit payments when the new plan gets into full swing.

Most manufacturers who realize the inevitability of the "guaranteed wage" as applied throughout industry will attempt to secure the cooperation of the unions in lining up support for higher state insurance benefits. Thus, both industry and labor are about to join hands on this particular enterprise. The result, doubtless, will be to raise state aid throughout the nation, though some years will pass before this becomes universal among the 48 states. Even to-day, rates of benefit payments and the conditions under which they are paid vary widely between the states. Ceilings vary from $22 weekly in Alabama to the new $54 maximum in Michigan. Payments among the states now average about $25 weekly. On this basis, it can be seen that the auto manufacturers in Michigan will not have to provide much to match the 60-65% "guaranteed wage" since most of it will have already been covered by the States but this will not be true of other states where benefits are much



This chart shows that labor productivity in the United States is higher than that of other important manufacturing nations but not by so wide a margin as is commonly supposed. With the "guaranteed wage," it will be necessary for labor to increase productivity substantially for industry to meet its new burden.

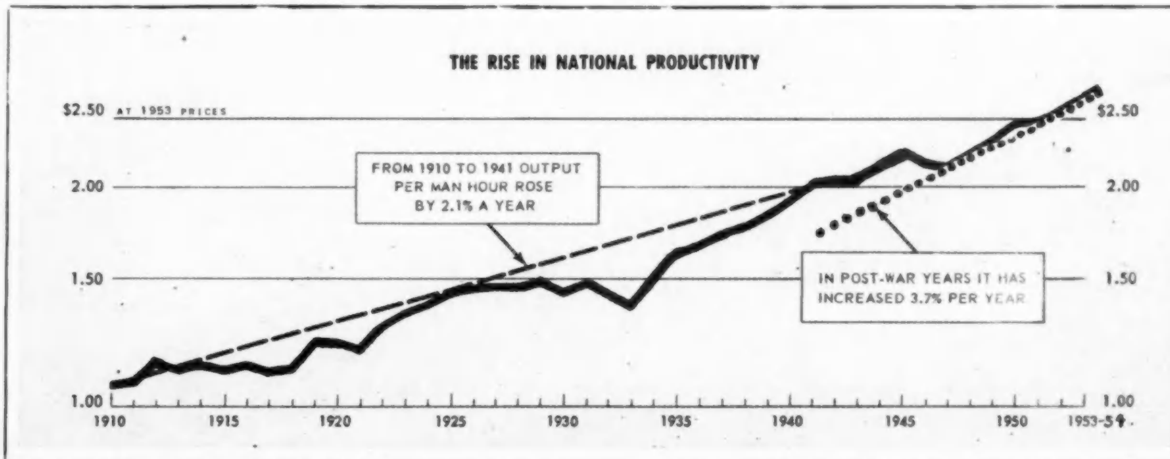
lower. Hence, costs to industries and even to branches of the same company will vary widely.

One thing is certain and that is that State unemployment compensation is going to go through a drastic upward revision. This must be paid for by the citizens of the individual states and this will probably mean higher taxes in those States which will be compelled to raise their unemployment benefits substantially. Thus, the effects of the guaranteed wage will not be limited to industry but will spread through State and Federal economies.

Effect on Management

From the management standpoint, the outstanding feature of the "guaranteed wage" is that it reduces flexibility of operations to an important extent. This involves not only the direct cost factor involved in the essentially new wage set-up but such vital factors as prices and type of product, markets; and, above all, the need to keep the plants operating to maintain full employment or otherwise suffer unemployment payment penalties. Obviously, this adds a new dimension to managerial problems that will require the highest degree of skill to handle.

As an example of the new type of problems that will be faced by the operating personnel, the following may be cited:



In most companies, production schedules are shifted around constantly in line with current requirements, the whole being based on a yearly estimate of the average output for each department. Under this set-up, it is inevitable that at certain periods some departments will be busy and others not. This can involve layoffs of varying duration for the departments affected, and will automatically bring into play the operation of the supplementary unemployment insurance benefit. In order to avoid this extra charge, companies will now tend to move work forces around, so as to even out the payroll over the years. This means that workers, who are now accustomed to specialize at various tasks, will now be asked to widen their skills! All this imposes new responsibilities, not only on management, but on labor itself.

This brings us to the crucial question of whether new corporate expenses attached to the "guaranteed wage" can be made up, at least in large part, by increasing labor productivity. In the period 1910-1941, productivity (largely including labor) increased at the annual rate of about 2.1%. Since the war, with the increase in mechanization and, more recently, automation, productivity has been increasing at the rate of 3.7% annually. Since labor costs will now be higher, the need for more automation will become more pressing.

It is ironic that while some spokesmen for the labor unions have charged that automation is potentially a danger to employment, the "guaranteed wage" by itself is likely to become the most important single factor in increasing automation in industry. In any case, employers will be compelled, by the realties of their higher labor costs, to find new ways of circumventing the drain on finances, through increasing the extent of automatic processes and machinery in their manufacturing and thereby lowering per unit costs.

Industries, of course, will be affected differently by the impact of the "guaranteed wage". Those industries in which labor costs bulk large will be affected more than those whose labor costs are characteristically low. In the accompanying table, based on an assumption that the "guaranteed wage" cost including the additional "fringe" benefits granted would be fashioned more or less after the pattern of Ford and General Motors, we present some hypothetical figures showing the relation of these higher costs to the average profit of industry in 1954, and also figures showing the effect these added costs would have had on 1954 corporate net incomes of representative companies within each industry, had these costs been in existence at that time. . . For convenience, these figures have also been reduced to a comparison of earnings on a per share basis. It will be seen that the net effect on earnings of these companies depends on the industry. The effect of the "guaranteed wage" etc. on income in 1954 of Lowenstein, one of the strongest textile firms, would have been a total loss of income with a 104% increase in labor costs. On the other hand, the net effect in the rubber industry, exemplified in this table by U. S. Rubber, would have been comparatively negligible. On the whole, however, the effect on net income of industry in general would have been substantial.

Readers will recognize, of course, that the above estimates would hold only if the "guaranteed wage" plan actually became operative, as during a period of prolonged unemployment. Actually, the plan, even for its progenitors (Ford and General Motors) does not come into effect until a year from now. Other companies which may be negotiating in the near future have an even longer period of grace. In any event, higher costs incident to the new formula will not come into play unless we have what amounts to a serious recession.

*What "Guaranteed Wage" Would Cost Major Industrial Companies**

	Cost In % of Profit Lost to Industry	Net Income 1954 (Millions)	Equiv. Per Share	*Net Income 1954 with Guar't'd. Wage in Operation (Millions)	Equiv. Per Share
AUTO					
General Motors	19%	$806	$9.06	$653	$7.34
STEEL					
U. S. Steel	16	195	3.23	164	2.72
ELECT. MFG.					
General Electric	19	212	2.46	172	2.00
FABRICATED METALS					
Bridgeport Brass	38	5	4.21	3.1	3.01
TEXTILES					
Lowenstein (M.)	104	7	2.50	d .3	d .10
PETROL. REFIN.					
Socony-Mobil	8	183	5.25	168	4.83
RUBBER					
U. S. Rubber	1.4	28	4.29	27.6	4.23
CHEMICALS					
Union Carbide & Car. .	18	89	3.10	73	2.55

d—Deficit. *—Based on cost of "Ford-General Motors" Guaranteed Wage Plan, if applied to 1954 earnings of representative companies in other industries.

Effect on Promotion Policies

One of the really important effects will be to even out manufacturing operations, so far as possible, throughout the year. This means an important change in promotion and advertising policies in order to educate the public to meet its consumption requirements throughout the year, instead of seasonally as has been the custom. Such a change in public tastes and buying habits cannot come overnight but if it should develop on a broad scale, a new measure *(Please turn to Page 490)*

WHAT TO DO ABOUT 50 LEADING STOCKS — *AND WHY*

By WARD GATES

For thousands of investors an unprecedented, though doubtless welcome, problem has been created through the rise in the price of common stocks during the past 21 months. The problem is: shall they accept profits (and pay taxes); shall they continue to hold despite the dizzy heights to which prices have soared for many of these shares; shall they compromise, and accept only part of their profits, thus taking out insurance against the possibility of a major decline, at the same time retaining a portion of their holdings in order to benefit should these stocks continue to advance?

In some ways, it is easier for the investor to deal with losses than profits. Human nature being what it is, the built-in protective instinct of the individual tends to guard him when the danger of losses threatens and thus he tends to limit himself, and cut his losses short in such situations. On the other hand, the acquisitive sense is so strong in most of us — and let us not be too polite but frankly use the word *greed* — that when our stock profits tend to multiply, we are likely to lose all sense of proportion and accordingly visualize the possibility of endless gain, when prudence and experience should dictate that we moderate our appetites.

Protection of Profits

Perhaps it is because many of our subscribers and readers are only well aware of their all too-human failings and feel that these may lead them astray in an evaluation of the best course to follow with respect to what to do or not to do about their holdings that they have been writing to us in increasing numbers about these problems. Most of these letters deal with concern over protection of profits which have accrued. In order to be of the greatest practical assistance to these readers and to others who may have the same problems but who have not yet written us, we have selected 50 representative stocks that have had large market gain — most of them leaders — giving specific advice to action that seems most desirable at this time on each of the issues. These are all listed in the accompanying table, and brief comment on each stock is included.

The procedure to be taken by investors on these issues should be governed by two principal considerations. The first deals with *income* return. Where stocks were purchased at prices much under the present level and where there was an originally high rate of return or where dividends have been increased in the interim, the high return on the original investment may be in itself sufficient reason to warrant retention, regardless of the present profits on the stock. If the investor is mainly interested in income, his problem is simplified and the size of his profits therefore should not be a determinant in his decision to hold or sell. But, he must make certain in his own mind that his main interest is in the dividend return and not appreciation.

The second consideration concerns itself with *appreciation*. If the investor made his original commitment for short- or medium-term profits he should give serious thought to accepting these profits, once he has gained his objective, and not shift to some extravagant new concept of the stratospheric price he now expects the stock to reach. He can do one of two things. First, he can accept all of his profits; or, he can accept part and thus mark down the original cost of the remainder. In view of the high level of stock prices in general, this is the procedure that many speculators and investors are adopting.

If, on the other hand, the investor is concerned only with an extremely long-range objective, he can afford to ignore even present high prices, though he should consider the possibility of a substantial decline in the interim. If he has no objection to risking such a decline, the long-term investor would be warranted in retaining individual issues that meet the necessary specifications. But, he must be sure that he is, indeed, a long-term investor.

In the following comment, in addition to specifying whether the individual issue should be retained or sold, we also suggest those cases where initial purchases can be made on a "dollar-averaging" basis. In view of the generally high level of stock

prices, such references are necessarily limited to only a few stocks that still appear in a favorable buying position.

[The accompanying table is so arranged as to compare yields at the low point of stocks in September 1953 with the current return. The reader is thus enabled to compare these returns on his investment with the price change in his stock. The first column gives the low price in 1953 and the fourth column gives the recent price (fractions omitted). Our comments are based on the changes in yields and on the changes in prices, so coordinated as to estimate the extent to which the stocks have discounted the improvement in their companies during the (nearly) two-years interval. The comments are designed to meet the objective of two groups of investors (1) those interested primarily in income return and (2) those interested mainly in appreciation.]

ALLIED CHEM. & DYE. Even if purchased at levels near the low of 1953, the original yield in itself is not attractive enough to warrant retention. The stock is now at a point where retention would be suitable only for long-term investors. If objective is on a shorter-term basis, part profit could be accepted to mark down costs, and the balance held for long-term. New purchases of this high-grade stock should be deferred until market adjustment takes place.

ALUM. CO. OF AMER. The remarks above apply here.

AMER. AIRLINES. While neither original yield nor current yield is substantial, the stock possesses above-average speculative possibilities. New commitments can be made on a moderate scale but only as part of speculative portion of portfolio.

AMERICAN VISCOSE. If purchased in the lower ranges of 1953-55, holders have advantage of originally high yield as well as substantial price increase. Should be held both for original high income and for long-term appreciation. New commitments can be made, on "dollar-averaging" basis, if current return is not prime consideration.

ARMCO STEEL. The remarks on American Viscose apply here, with the exception that "dollar-averaging" is not recommended for stocks in this industry.

BETHLEHEM STEEL. If purchased at the lower ranges of 1953-54, stock can be held by the investors chiefly interested in income on the basis of high return on the original investment. If the objective has mainly been appreciation, the investor interested in short or medium term profits can accept part to mark down original cost. If not concerned with immediate profits, can be held as long-term investment. New commitments would not be advisable at this point, but rather after substantial reaction.

BOEING AIRCRAFT. Can be held by 1953 buyers (or at around low points touched in 1954) in view of the satisfactory income at original prices. Large advance in stock could justify acceptance of partial profits, thus reducing cost of remainder. New purchases should be deferred until the stock has more firmly consolidated its position.

CHRYSLER CORP. Stock can be retained by early purchasers since dividend now seems more secure in view of spectacular turnabout in company's earnings. Moderate appreciation from current levels seems likely but current labor and other problems may serve to hold down speculative enthusiasm for the time being.

DOUGLAS AIRCRAFT. The remarks on Boeing are generally applicable here.

DOW CHEMICAL. The yield on this stock is not an important factor. This is one of the leading growth stocks and should be retained for long-term investment; new commitments can be made on a "dollar-averaging" basis. Only investors interested in long-term investment potentials should consider this stock but its long-term outlook is undeniably impressive.

duPONT. The remarks on Dow Chemical generally apply here except that at current advanced levels, "dollar-averaging" is not recommended. However, this could be feasible on any substantial reaction from the present price.

EASTMAN KODAK. The remarks on Dow Chemical generally apply here, including the point on "dollar-averaging".

GENERAL DYNAMICS. The remarks on Boeing generally apply here.

GENERAL ELECTRIC. See comment on American Viscose. While in entirely different industries, the same general approach can be applied to this stock.

GENERAL FOODS. If purchased at lower 1953 levels, or thereabouts, the return on the original investment, while not excessive, is sufficient to justify retention in view of company's impressive soundness and stable record of earnings and dividends. Regarded as high-grade investment among common stocks but appreciation from this point on not expected to be of unusually large dimensions. Suitable, however, for retention in any investment portfolio. Profit-taking on this type of stock not recommended where investors have long-term objectives.

GENERAL MOTORS. The remarks on Dow Chemical — and duPont — would generally apply here except that in the case of General Motors, the excellent yield on the original investment would be an added strong inducement to hold. Current yield, of course, is much lower in view of the advanced price of the stock.

GOODRICH (B.F.). The stock can be held as a long-term investment with ample market protection afforded if purchased near the lower ranges of 1953-54. The yield, whether on the orignal price paid, or current prices, is not high. Accordingly, the main

inducement for holding this type of stock is the appreciation potential based on continued growth prospects. On this basis, the stock can be held but for investors more interested in current profits, acceptance of a moderate portion of profits to write down original cost would now seem justified. New purchases should be deferred pending a more favorable market level.

GOODYEAR TIRE & RUBBER. The remarks on Goodrich can be applied on this stock.

GRACE (W.R.) & CO. This stock can be held on the basis of the high return on the original investment. It can also be held on the score of its growth prospects as a long-term investment. New purchases can be made on a moderate "dollar-averaging" basis.

GULF OIL. This stock would be a suitable holding for investors with a long-range investment program. For individuals concerned with current profits, only enough should be sold to mark down costs moderately. New purchases on "dollar-averaging basis" justified provided they commence at least at moderately lower levels than the present.

INT'L NICKEL. If purchased in the lower ranges of 1953-54, the yield on the original investment is most attractive and would be difficult to duplicate at current prices in stocks of similar calibre. While the long-range outlook for this growing company is impressive, at current advanced prices partial profit-taking would be in order for individuals who are concerned with protecting large established profits. Marking down the cost would permit retention on a favorable basis for long-term investment.

INT'L PAPER. In general, the remarks to investors in "Nickel" can be applied by holders of "Paper", despite the dissimilarity of industries.

KENNECOTT COPPER. Holders of this stock might apply the general recommendations on the above two stocks.

LILLY-TULIP CUP. Even if purchased in the lower ranges of 1953-54, the original yield would be too low to be a determining factor in a decision as to whether or not to hold. The main market factor in this stock has been the appreciation potential which has been substantially fulfilled. At these prices, therefore, acceptance of profits to mark down costs might be in order, retaining the balance as a long-term investment in this still growing company.

(Please turn to Page 492)

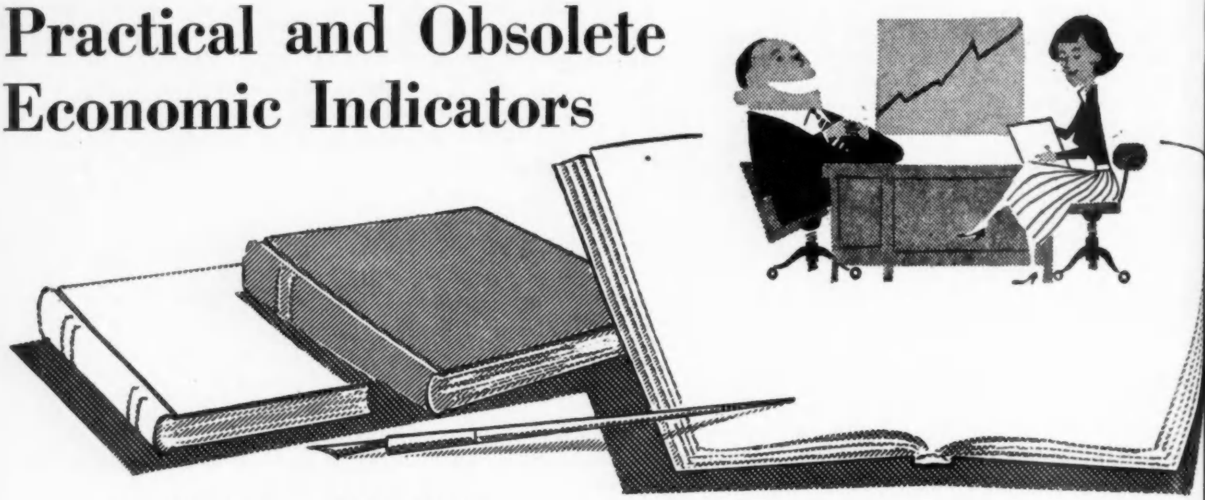
Yield Comparisons 50 Active Stocks†
1953-1955

INDUSTRIALS	Low Price 1953 **	Yield on 1953 Div. at Low Price	Price Range 1953-1955 ** High Low	Recent Price **	Indicated Div. Yield
Allied Chemical & Dye	62	4.8%	117- 62	115	2.6%
Aluminum Co. of America	21	3.7	74- 21	67	1.4
American Airlines	11	4.4	29- 11	28	2.8
American Viscose*	35	7.1	60- 30	59	3.3
Armco Steel	15	9.8	45- 15	43	4.1
Bethlehem Steel*	44	9.0	147- 44	142	4.7
Boeing Airplane	18	9.6	88- 18	61	4.9
Chrysler*	58	10.2	96- 56	79	5.0
Douglas Aircraft	20	10.8	91- 20	68	6.7
Dow Chemical	33	3.0	58- 33	58	1.7
Du Pont*	81	4.8	219- 91	219	2.3
Eastman Kodak	41	4.3[1]	82- 41	80	2.7[1]
General Dynamics	16	7.2	80- 16	61	3.5
General Electric	22	6.0	56- 22	56	2.9
General Foods	50	5.3	86- 50	84	3.5
General Motors*	53	7.5	108- 53	107	4.7
Goodrich (B. F.)	30	4.8	73- 30	72	2.5
Goodyear Tire & R.	21	6.8[1]	66- 21	64	3.1
Grace (W. R.) & Co.*	24	7.2	54- 24	54	3.7
Gulf Oil	41	4.8[1]	82- 41	82	2.4
International Nickel*	34	6.8	71- 34	71	4.0
International Paper	47	6.3[1]	114- 47	111	2.7
Kennecott Copper*	59	10.1	121- 59	118	5.0
Lily-Tulip Cup	19	4.3	66- 19	65	2.3
Montgomery Ward	53	5.6	85- 53	82	5.7
National Lead*	29	5.9	84- 29	83	2.5
Owens Illinois Glass*	69	5.7	131- 69	125	3.2
Phillips Pete	48	5.4	79- 48	78	3.8
Pittsburgh Plate Glass*	44	5.1	82- 44	82	3.1
Procter & Gamble	59	4.4	102- 59	98	3.5
Radio Corp. of America*	21	4.7	55- 21	53	2.8
Republic Steel*	20	10.3	47- 20	46	5.4
Reynolds Metals*	42	2.3[1]	207- 42	201	.7[1]
Scott Paper	27	10.0	77- 23	77	2.3
Sears, Roebuck & Co.	56	4.9	96- 56	95	3.2
Standard Oil of California	49	6.1	83- 49	83	3.6
Standard Oil of New Jersey	67	6.7	121- 67	121	4.1
Union Carbide & Carbon	61	4.1	100- 61	100	2.5
U. S. Steel*	16	8.9	50- 16	50	4.0
Westinghouse Electric	39	5.1	83- 39	70	3.5
PUBLIC UTILITIES					
American Tel. & Tel.	152	5.9	186-152	182	4.9
Consolidated Edison	34	6.9	51- 34	48	5.0
Duquesne Light	25	6.2	37- 25	34	5.2
Florida Pr. & Lt.*	15	5.1	37- 15	36	2.7
Pacific Gas & Electric	34	6.0	50- 34	49	4.4
RAILROADS (See Mid-Year Dividend Forecast)					
Atchison Top. & Santa Fe*	86	5.8	150- 86	148	4.7
Louisville & Nashville	55	8.9	88- 55	85	5.8
Pennsylvania R. R.*	16	9.3	30- 16	30	3.3
Southern Pacific	35	8.5	62- 35	61	4.9
Southern Railway*	37	6.7	99- 37	95	4.2

†Adjusted for stock-splits.
**Round figures only.
[1] Plus stock.

*Likely to make largest earnings gains in 1955 as compared with 1954.

Practical and Obsolete Economic Indicators



By WALLACE D. HORTON

(Editor's Note: *American businessmen are finding it increasingly profitable to study economic and business data in order to better determine the trend in their own industries. This gives them a valuable perspective. Today's economic barometers are far more sensitive than their predecessors of a generation ago and cast a good deal of light despite the growing complexity of the American economy. This article, prepared by one of the outstanding authorities in the field, explains the nature and value of modern economic indicators and, we believe, will be read with much interest by progressive businessmen.*)

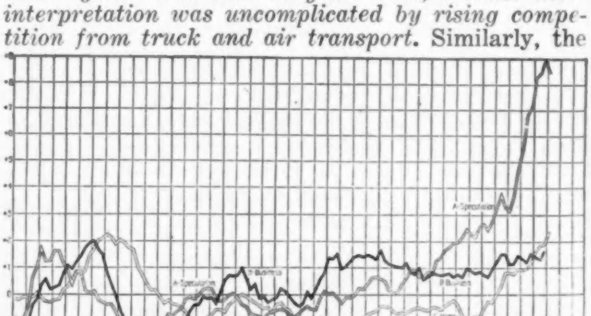
Over the past fifty years, businessmen and the economic analysts who work for them, have occupied themselves increasingly with the problem of forecasting the trend of general business conditions. This is natural enough: the changes in business conditions, with accompanying changes in production schedules, demand and prices, are among the influences which have a profound effect on the growth and earning power of individual enterprises. Indeed, all the diligent market research in the world will not yield a useful picture of the size of next year's market for a particular product, unless it is set in the framework of a general forecast which will describe the broad influences affecting all markets in the coming year.

Fifty years ago, the problem of general business forecasting was simplified by one bald fact: there was very little in the way of reliable statistics describing the existing state of business, much less its probable future course. Now the problem is much easier, in the sense that much more is available to work with. But by the same token, the job of following the business trend and projecting it is now complex to the point of being overwhelming. Statistics by the thousands now pour daily out of literally hundreds of government agencies, and out of thousands of trade associations, research institutions, management consulting services, and publications devoted to business conditions.

Not so long ago, the literate businessman who wanted to know what general conditions were like, in order to do his private, informal forecasting of where business was going, had to be satisfied with a list of indicators so small that it might almost be set down in toto here. There were figures on freight carloadings, which were then a pretty good measure of activity. There were securities prices, which furnished a guide to the speculative temperature of the American public, and hence its buying mood. There were tonnage and price figures for the steel industry, and a few other key segments of the economy. There were banking figures on the interest rate, and some data on loans and debits. And there was a certain amount of crop data, although its reporting for the general public suffered from a considerable lag. There was a lot of import-export data furnished by the Customs tabulations, and there has been an industrial production index, of sorts, for several decades.

Older Data Have Lost Value

In some respects, these data were much more adequate than the shortness of the list might suggest, because business conditions themselves were simpler. *Carloadings figures, for example, were a much better guide then than they are now, because their interpretation was uncomplicated by rising competition from truck and air transport.* Similarly, the



steel figure was much more significant than it is now, since the variety of competing materials was much smaller; for a large range of steel applications, in fact, there were no competing materials at all. Steel demand could be taken as a broad but fairly accurate index of demand for durable goods generally.

Moreover, the private enterprise economy, even as recently as the 1920's, was largely unaffected by government; in other words, business conditions were more or less self-controlling, *and not subject to the sweeping changes in government-business relations which have altered the whole structure of the American economy since the late 1920's.*

Because of these factors, businessmen could be satisfied with a relatively simple set of statistical reading materials in their pursuit of the business trend. In fact, in the years prior to World War II, Harvard University, published what appeared to be a complete guide to business conditions in the form of three statistical series: one representing speculative activity, one business activity, and one money-market conditions. The relationships among these three figures were presumed to indicate the condition of business, and indeed for the years prior to about 1921 and running all the way back to 1875 they seemed to provide a very good picture of the business trend.

Unfortunately, and significantly, this simple model of business conditions, called the "Harvard Indexes", became highly misleading and then useless in the middle 1920's, as the increasing complexity of business itself, and the increasing role of the Federal Reserve and other government agencies, upset the conditions on which the statistical device was based.

In much the same way, and for much the same reasons, the other simple tools that were sufficient for earlier days have lost their generality and become undependable guides. Today's businessman must reconcile himself to the fact that watching the business trend is no longer a matter of a few minutes concentrated reading a week.

On the other hand, it is possible to draw up a reasonably brief list of what, today, are the key statistical descriptions of the rate of business activity, and its probable future trend. The list is not short, and businessmen in individual industries will doubtless have their own favorite guides that have no place in a general list. But the large number of highly significant statistics now available will amply repay the analyst or executive who will take the time to watch them and interpret their meaning for his own business.

Foreshadowing Statistics

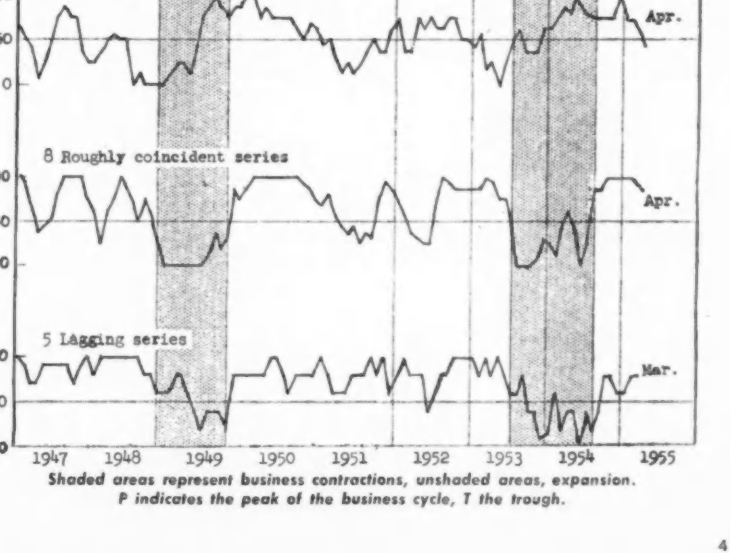
Among the most important statistical developments of recent years has been the building of a set of business statistics which attempt to describe the near future, rather than the present. These series, which are called "foreshadowing statistics", inevitably rank near the top of any list of key indicators. Moreover, the system has now been developed to the point where most of the major areas of business activity are covered.

The foreshadowing series with perhaps the greatest general significance is the "new orders" accounting published monthly by the Department of Commerce. These figures list, for more than twenty manufacturing industries, the rate at which new business is flowing into sales offices throughout the country. They have been available, on a reliable basis, only since the end of World War II. Because they foreshadow production rates in the industries covered—since orders precede production in most industries–they are an essential component in any informed appraisal of current and prospective business conditions. In order to facilitate month-to-month comparisons, the Department of Commerce adjusts the figures to eliminate normal seasonal influences. *(Please turn to Page 494)*

The chart on the left pictures an earlier generation's attempt to forecast business activity by the use of a presumed lead in stock prices and a lag in money rate changes. The relationship proved to be rather misleading at various times since 1921. At the right, is shown a modern method of anticipating business changes, based on a careful scientific study of a vast number of economic series, which found that certain series, such as new orders, residential building contracts, average hours worked, and others, consistently tend to lead business in general, while other series coincide and still others lag behind business changes. Observation of the percentage of leading indicators that are in an expanding phase, coupled with study of other economic series, often gives important clues as to coming trend changes for the economy as a whole.*

**National Bureau of Economic Research*

Significant Key Business Indicators



Shaded areas represent business contractions, unshaded areas, expansion. P indicates the peak of the business cycle, T the trough.

PATTERN OF WAGE SETTLEMENTS

By "VERITAS"

WAGE SETTLEMENTS for this year, so far, are running much higher than for last year with the prospect that the trend will continue. The Communications Workers of America who tied up part of the south in a successful wage fight, has made a study and finds: since the first of this calendar year the pattern has developed on the basis of 7 cents an hour boost, against 5 cents an hour in the closing half of 1954. These settlements, of course, do not include fringe benefits such as pensions and insurance, often more costly than the basic pay raise. Steel workers are expected to get more basic, less fringe, benefits.

TROUBLE on the labor-management front which may encompass legal, political and economic, rides the wake of the Guaranteed Annual Wage. Ohio may have set a pattern when its legislators voted down a proposal to allow workers to receive industry-paid unemployment compensation without having a counterbalancing amount subtracted from their state-paid unemployment insurance. The Ford agreement worked the state in as a third party to the GAW: between management and the state, the employee was to get approximately full pay. Eleven percent of Ford employees are in Ohio. Vote was on party lines: republicans for, demmies against cutting state payments.

ADJOURNMENT by July 31 is the forecast of Senator Lyndon Johnson. Because he is Senate majority leader, his predictions carry weight. But there was small type in the announcement: "Provided we get the job done." Other guesses say about Aug. 15 and even that date contemplates allowing many legislative items to remain on the unfinished business calendar. Senator Johnson evidently links early adjournment to a walkout on business. He says he has no agenda for next January; obviously sees the job of the next session already cut out in unfinished matters.

BACK TO FARM movement seems to be in the planning of the U. S. Veterans Administration. Vets buying farms would enjoy the same GI loan guaranty benefits as the GI buyer of urban property under a measure approved by Congress and awaiting assured Presidential signature. The purchaser would obtain a VA guaranty of 60 per cent of a mortgage loan up to $7,500. The amounts now fixed as maxima are 50 per cent and $4,000. Purchase of a farm, construction of buildings on one, and repairs are included.

WASHINGTON SEES:

This is a hopeful season for business and industry, long suffering under an antitrust law and enforcement system which forces private enterprise to progress at its own peril and which leaves controversies which could mean life or death to a corporation unresolved for years.

Fundamental questions are involved in Bethlehem Steel Company's proposal for merger with Youngstown Sheet & Tube Company. The Department of Justice shook a warning finger and said suit would be brought if the amalgamation plan goes forward. That would mean six or eight years of delaying litigation. Now it's proposed that the issues be sent direct to a three-judge court — a tribunal available under a seldom-used statute. That method could resolve the questions in one year, meanwhile setting valuable precedents.

Any day now, the President is expected to receive and approve a law creating a uniform four-year statute of limitations on private suits arising out of antitrust decrees. State statutes now control; litigants who have slept on their rights can shop around and find states allowing cases to be started 12 years after the cause of action arises.

In legislative process and certain of enactment is another bill which would make it permissive, not mandatory, for a federal judge to award treble damages in private antitrust suits. Staggering judgments have been handed down in the past in cases where the antitrust breach involved actions theretofore held legal.

As We Go To Press

Congress will not enact a stand-by economic control program before quitting for the year. President Eisenhower, always cool to the idea, came out flatly against it. His objection was predicated upon belief that the public would draw dangerous inferences from the fact that, hanging over its head, would be a system for placing ceilings on wages and prices, regulating the flow of foods in short supply and metals needed for war production. The idea of controls is too intimately associated with shooting war to be acceptable even on a stand-by basis in time of peace, Ike reasoned.

From a practical viewpoint, nothing is lost by congressional concurrence with the President's desires. The plan for an immediate freeze to be effective for 90 days already is in final form in the Office of Defense Mobilization. It could be law in 24 hours, based on a Presidential request to Congress plus utilization of powers already vested in the Chief Executive. The nature and location of an outbreak and its severity would determine what the law would be after the 90-day emergency rules had been tried.

Demand is growing that Congress create higher payments for more than 14 million persons who are in the old-age pension payment class. Bills to bring this about were numerous in the early days of the session but they ran the gamut from too little to too much. The Social Security Agency recognizes the need for a realistic adjustment to present-day costs but each mention of a schedule has been shouted down as too stingy. Hearings have not been scheduled. The multiplicity of ideas expressed in proposed bills is inimical to success of any. One of the few ideas on which there is anything resembling unity of backing is reduction of the 65-year minimum for insurance collection to 60 or even 55 years. Last year the program was extended to 10 million more persons, 90 per cent of the working population. But minimum age and dollar-payment were not changed.

The Hoover Commission, experiencing rougher going than in its earlier days is nearing the end of its reports to Congress. When the time comes for decision on continuing it in operation the White House will be urged by many friends of the Administration to permit it to go out of existence. Some of the more recent recommendations have cut across Administration policy. Eisenhower supporters welcomed the "studies" during the days when they concentrated on proposals to uproot and throw away the New Deal-Fair Deal growths; now some of the suggestions are being viewed as Herbert Hoover's appeal from the 1932 election. Many administrative changes in federal operations in the past half-dozen years stemmed from Hoover Commission recommendations but few of them have been publicly so credited.

Military establishments are likely to continue giving competition to private enterprise for a long time to come. The Pentagon has been mandated by Congress, in effect, to ignore the recommendations of the Hoover Commission and those of the Senate's small business committee. A rider has been attached to the Defense Agencies appropriation bill by the Senate: none of the present operations may be discontinued, it says, if they have been carried on by civilian employees for 25 years or more. Exception would be a competitive function which can be performed economically by private operators, without endangering national security. But that proof would be required to be in writing, submitted 60 days before the date of planned discontinuance.

It now looks as if the report issued several months ago by the President's Commission on Trasportation will be be acted on by Congress. Companion bills in House and Senate which would also have authorized liberalization, in varying degree,

of railway regulation have also been stymied. The railroad officials are disappointed, of course, but right now the odds must be considered against the carriers so far as legislation on the subject, in the near future, is concerned.

Senator Allen J. Ellender, the Louisiana democrat who heads the senate agriculture committee, admits he isn't sold on his party's high, rigid farm price support program. He has recommended that his committee make a study of the feasibility of basing support levels on type and quality of the product involved -- wheat and cotton in particular. Himself a farm operator, Ellender cautions that high and firm price crutch has brought forth so much low quality wheat and cotton as to jeopardize the entire farm program. What he proposes is lower government support for short staple cotton and feed wheat to discourage the production of unneeded fiber and grain, encourage the quality the market can absorb at a good price.

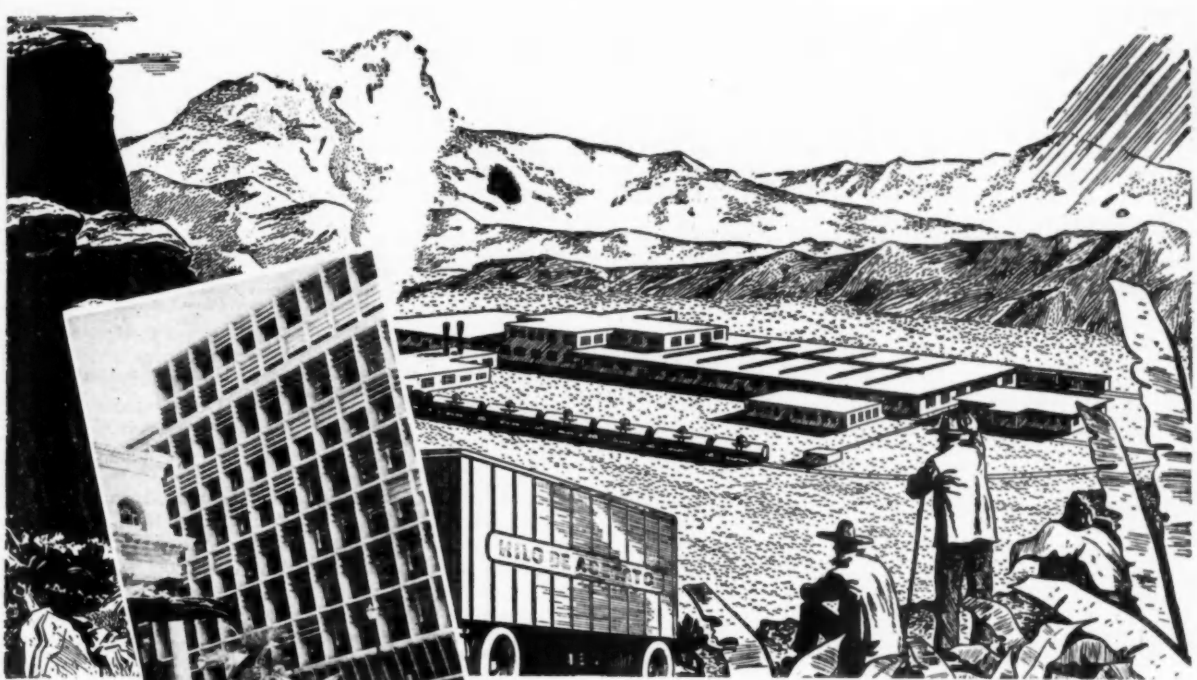
Inherent in the democratic Senator's position is the admission that price does serve to guide production. That notion seems to have been rejected through the years by the "farm bloc" -- without regard to political party line. This has confounded the price fixers and they're fighting back: they threaten to bottle up the sugar bill in the House Agriculture Committee. That would be an economic wallop to the Louisiana sugar industry which is looking for increased domestic marketing quotas. Senator Ellender has repeatedly said that current hearings will not be completed before Congress adjourns and that he intends to hold legislation until next year.

Organized labor insists the drive to bring farm labor under the federal wage-hour act has been slowed but not stopped. The unions did not risk serious setback by putting the issue to a test after it became obvious that Congress was not in the mood to expand coverage to include retailing and some other lines less controversial than farm embracement. But the laborites still have their eyes on an estimated 7 million farm hands as a source of new memberships, new dues sources, new economic and political strength.

As adjournment nears each year, the labor lobbies start preparing locals for the bad news that another legislative program has failed. June saw the 1955 crop coming into bloom with heavy resignation to defeat. The aspiration of amending the Taft-Hartley Law into the image of the Wagner Act was dismissed with this report: "No action this year. Not enough liberal strength in House and Senate. Administration opposes major changes." Throwing in the towel on legislation to boost jobless pay to at least 50 per cent of average weekly pay for six months, "The Machinist" said: "No action this year, Administration says it favors leaving increases up to the states. Some states have made minor improvements this year."

An improved Social Security System was considered probably lost and the campaign to decrease individual income taxes was classified "dead for this year." A national health program was conceded beyond attainment for this year. In the very doubtful classification were catalogued such things as federal-aid to schools, a new farm program with rigid price supports. On the affirmative side are placed the Reciprocal Trade Agreements Act extension for three years and higher minimum wage. Loss evidently most regretted was failure to defeat the right-to-work enabling provision of the Taft-Hartley Act which is the basis of state statutes barring the closed shop.

The no-raiding pact entered into by AFL and CIO has been in operation for one year and the results are satisfactory to both organizations. They probably have been not without benefit to management, too; jurisdictional strikes are becoming extinct. In the first year, the joint committee in charge of supervision received 46 complaints, equally divided between AFL and CIO. Of these 28 were settled by mutual agreement among the parties; eight went to binding arbitration; 10 are in the discussion stage. Merger of the giant union groupings appears only a matter of time.



New Vistas of Opportunity In South American Markets

By V. L. HOROTH

Earlier this year the City of New Orleans and Time-Life International sponsored the Inter-American Investment Conference. It was an unusual meeting. Almost 1000 practical businessmen were brought from all over the Western Hemisphere in an effort to work out "a new approach to the goal of enlarging the $7.5 billion investment partnership now linking Latin America with the United States." Private business groups in every country were organized to channel business and investment suggestions to the Investment Service Bureau which would then screen them, and put Latin American businessmen in touch with United States capital. Moreover, the New Orleans Conference was a salutary reminder that there is to the south a vital area offering unparalleled business and investment opportunities and tied to the United States by strategy, economics, and cultural relationship.

Since about 1951, when the post-Korean price bulge collapsed, the average American businessman and investor have shown a rather stand-offish attitude in respect to the business opportunities in Latin America. There have been many reasons for this. One was the boom at home. Moreover, the boom in Western Europe, now in its third year, and involving an unprecedented broadening of the European market for consumer durable goods, has held an attraction for both the exporter and the investor interested in expanding overseas manufacturing operations. The transformation of Canada and the rolling of her economic frontier northward has been watched with even greater fascination. But the most important reason for the caution of the American businessman and for the hesitancy of the American investor in respect to Latin America has been the political and economic difficulties in a good many of the Republics, apart, of course, from the restrictive effect of their policies on business and investment. These difficulties have stemmed largely from declining prices, population pressure, labor unrest, unbalanced budgets, and above all from the inability and unwillingness of some Latin American countries to deal sternly with crippling inflation.

In view of this situation, it is quite understandable that American businessmen and investors have bided their time. Meanwhile, business has been good, especially with the so-called dollar area countries. As will be seen from the accompanying table, Latin America in 1954 took 40 per cent of our automobile exports, 35 per cent of our chemical exports, and 32 per cent of our machinery exports. Our 1954 exports to Colombia, Venezuela, Ecuador, and Haiti were the largest on record. We still supply about 50 per cent of the goods that Latin America needs

Companies Actively Expanding Facilities in Latin America

ARGENTINA
Corning Glass Works
General Electric
Minnesota Mining & Mfg.
St. Regis Paper
U. S. Steel

COLOMBIA
American Home Products
Container Corp.
Philco
Sears, Roebuck
Union Oil of Calif.

MEXICO
Allis Chalmers
American Cyanamid
American Metal
Anderson, Clayton
Bethlehem Steel
Bristol-Myers
Burlington Industries
Colgate-Palmolive
Corn Products Refining
E. I. du Pont
Fairbanks, Morse
General Electric
General Foods
Gillette
General Shoe
I. T. & T.
Procter & Gamble

BRAZIL
Abbott Laboratories
Bendix Aviation
General Electric
Philco Corp.
Radio Corp. of America
U. S. Steel
Westinghouse Elec.
Worthington Corp.

PERU
Goodyear
Halliburton Oil Well
Ingersoll-Rand
Joy Mfg.
Olin Mathieson
Remington Rand
U. S. Steel

VENEZUELA
Aluminum Co. of America
Atlantic Refining
Celanese
General Tire
Gulf Oil
Hercules Powder
National Biscuit
Pennsylvania Salt
Republic Steel
Union Bag & Paper
U. S. Steel

CHILE
American Smelting & Rfg.
Anaconda
Bethlehem
E. I. du Pont
Grace (W. R.) & Co.
Kennecott Copper
Phelps Dodge
Internat'l Tel. & Tel.

URUGUAY
Armour & Co.
Coca-Cola
Firestone
International Harvester
Lone Star Cement
Sterling Drug
Texas Co.
United Merchants & Mfrs.

BOLIVIA
Abbott Laboratories
Grace (W. R.) & Co.
American Smelting & Ref.

PARAGUAY
Anderson, Clayton

DUTCH GUIANA
Aluminum Co. of America

and take some 44 per cent of her exports. But the share of Western Europe and Japan has been steadily increasing.

European Interest in Latin American Investments

European businessmen and investors seem to take economic and political difficulties in individual Latin American countries more or less for granted. They have been inclined to take greater chances, by offering, for example, longer credit terms. The Europeans are also inclined to take a longer view as investors. Only a month or so ago, a group of German bankers was so impressed by opportunities in Brazil that they expressed willingness to invest up to one billion dollars in new projects, including a railroad that would facilitate the handling of rich Brazilian iron ore. Soon afterwards, a French group headed by the Schneider-Creuzot people proposed to invest another billion dollars in the expansion of the Brazilian steel industry. The Italians have been putting more money into their Brazilian and Peruvian ventures. Other European financiers show interest in the development of plantation crops in Paraguay and in Bolivia's mineral resources.

In the United States, investing in Latin America is still largely regarded as confined to mining in Chile and Peru, oil companies in Venezuela and Colombia, fruit plantations in Central America, and sugar in Cuba. Most of these investments have helped and are still helping Latin America to earn foreign exchange. The more recent trend in investment is to serve the Latin American market by manufacturing on the spot rather than exporting.

The Europeans, and especially the Germans, have been pushing investments in chemicals, synthetic fibers, and pharmaceuticals. American investments in manufacturing center on household equipment, car accessories, rubber products, etc. The Kaiser interests in Argentina are now going into automobile making. U. S. manufacturing investments in Latin America rose from less than $200 million in 1936 to $1.2 billion in 1952, and they have turned out products valued at an estimated $1.0 to $1.5 billion a year, or almost half as great as U. S. exports to the area.

Merchandising is another type of Latin American investment with a big future. Sears Roebuck has been eminently successful in Mexico, Brazil, Cuba, Venezuela, and Colombia. Talking to Mid-Western investment bankers last March in Chicago, Mr. J. Peter Grace, President of W. R. Grace & Co.—a company that has become highly successful by pushing chemical and textile manufacturing in Peru and elsewhere—pointed out that in Mexico, Sears Roebuck now works with 1300 Mexican suppliers ranging in size from a two-man craft shop to a modern factory employing more than 1000 people. "Whereas Sears originally estimated that it would import about 70 per cent of its merchandise from the United States," commented Mr. Grace, "it now is able to buy in Mexico 80 per cent of what it sells there, most of which conforms to U. S. styles and standards."

One of the Fastest Growing Markets

Although the pace of industrialization and economic development in Latin America has slowed down somewhat since 1949 as compared with the immediate postwar period, the countries south of the Rio Grande still remain among the world's fastest-growing markets. The principal reason for this is the almost explosive rise in Latin American population and the extraordinary urbanization that has taken place during the past 15 years.

The population of Latin America, which is around 170 million at present, is increasing at the rate of about 2.3 per cent a year—twice as fast as the overall world population. This means that some 25 years hence, in 1980, Latin America's population will be approaching the 300 million mark. Latin America's combined income is currently around $40 billion, or some $230 per capita. Her economy has been growing at the rate of 5 per cent a year; if this growth continues, and there is no reason why it should not, Latin America's national income by 1980 may be expected to reach about $120 billion in 1955 dollars. This means that the per capita income would increase to about $400, a significant increase though still but a fraction of the current U. S. per capita income, which is around $2,000 a year.

All this means that instead of buying $6 to $7 billion worth of goods from the outside world, Latin America may buy that much from the United States

alone. But it is unlikely that Latin America will buy the same kind of goods that she is buying now. Industrialization is likely to make her even more nearly self-sufficient in such goods as textiles. With a rise in the standard of living, *it is a foregone conclusion that Latin Americans will buy more motor vehicles, more household equipment, better balanced foods, more industrial raw materials, and more capital goods.* The tendency toward this type of import has already showed up to some extent in Argentina, one of the most industrialized countries in the area. The number of telephones and passenger cars in Latin America has doubled within the last 15 years, the number of trucks trebled, and the number of tractors risen five times in the same period.

Growing urbanization of Latin American population is likewise bound to have an important influence on the pattern and the future trend of Latin American trade. The growth of many cities has been fantastic. Mexico City is now a metropolis of some 4 million people. During the 1940-54 period the population of Bogota nearly doubled to more than one million, and that of Sao Paulo also almost doubled to 2,500,000. Caracas in Venezuela also has over one million people, some 150 per cent more than in 1940. And there are scores of other cities which, like Cali in Colombia, Belo Horizonte in Brazil, or Guadalajara in Mexico, sleepy district towns a generation ago, are now important industrial and distribution centers.

Lack of Balanced Growth

The rapid growth of population and the great shifts in the consuming habits of the population caused by industrialization and urbanization have created tensions and maladjustments, all of which are but manifestations of unbalanced growth. In a number of Republics, for example, food is not being produced in sufficient quantities, with the result that too much foreign exchange is being spent for items that could be grown at home. Fuel output is inadequate, in view of the industrialization goals set up by some of the Latin American countries, and so is the output of raw materials. Very often both fuel (petroleum) and raw materials are available within the boundaries of the particular country, but there is a lack of domestic investment capital or a lack of skills to develop them, while nationalistic provisions keep out foreign capital and skill.

There are untold opportunities in Latin American countries, where not only fuel resources, such as petroleum, natural gas, and coal, but also different kinds of raw materials—sulphur, gypsum, inedible oils, cotton, wool, rubber, phosphates, and others—could be developed to satisfy the rapidly expanding *internal* markets for these products.

However, the most important point of all is that a good many Latin American Republics have failed to maintain their export earnings, which are vital to their economic growth. Without them, the Republics cannot very well pay for the rising imports of industrial machinery, raw materials, and fuels that make industrial expansion possible. As will be seen from the accompanying table, recently published by the Department of Commerce, the volume of Latin America's exports sent to this country is only 40 per cent greater than it was prior to the Second World War. It is only due to the still relatively high prices of some of its products, notably coffee and cocoa, that the Republics have been able to buy here almost three times as much as before the war.

Raw Materials Opportunity

In the June 1955 issue of its publication, "Latin-American Business Highlights", the Chase Manhattan Bank discusses the unusual opportunity created by the world-wide industrial boom for any country that can produce raw materials efficiently. The Bank estimates that in 1950 the Free World consumed approximately \$46 billion worth of raw materials, of which about one-third was supplied by underdeveloped countries. If world industrial output continues to grow at the rate of 3½ per cent per year, as it did during the 1937-1950 period, then by 1980, the Bank claims, the Free World's raw material consumption should be expected to increase to about \$80 billion, with underdeveloped countries supplying some \$30 billion. (*Please turn to page* 502)

Leading U. S. Imports from Latin American Republics
(Millions of dollars)

COMMODITY	1952	1953	1954	Percent of U.S. Total Imports 1954
Coffee	1,297.2	1,371.4	1,359.3	91.5
Other foodstuffs	687.7	665.4	666.9	50.2
Cane sugar	324.9	320.8	298.4	72.9
Cocoa and cacao beans	68.2	75.6	132.4	52.5
Bananas	55.3	67.0	65.2	99.8
Meat products, including fish	102.0	79.9	69.2	18.0
Metals and manufactures	596.9	513.6	439.9	25.6
Copper	287.2	262.8	213.5	59.2
Lead	101.8	56.9	38.1	31.3
Iron ore	39.2	45.6	68.2	57.2
Petroleum and products	394.9	426.4	484.8	58.5
Textile fibers and manufactures	211.6	194.8	116.7	14.7
Vegetable oils and oilseeds, inedible	52.2	45.5	40.4	29.4
Other	216.1	199.3	181.9	......
Imports for consumption	3,456.6	3,416.7	3,289.9	32.2

Leading U. S. Exports to Latin American Republics
(Millions of dollars)

COMMODITY	1952	1953	1954	Percent of U.S. Total 1954
Machinery	851.0	767.2	821.1	31.8
Industrial machinery	470.8	421.8	446.1	30.6
Electrical machinery	229.8	216.6	204.3	34.4
Agricultural machinery	113.2	99.3	140.2	34.6
Automobiles, parts, accessories, and service equipment	429.5	341.4	409.6	39.6
Vegetable food products	390.2	266.1	227.0	18.6
Chemicals and related products	308.4	283.2	350.6	34.9
Textile manufactures	217.1	183.6	194.6	30.1
Iron and steel-mill products	172.3	155.8	144.1	28.2
Metal manufactures	134.9	134.9	125.5	36.8
Fats, milk, meat, and other edible animal products	123.3	116.6	125.1	44.2
Petroleum and products	101.9	100.7	119.1	27.7
Other, including special category	731.6	770.8	658.4	9.5
Total Exports	3,460.2	3,113.6	3,357.2	22.5

Pellets, processed from taconite, contain more than 60% of the element iron. This is about 20% richer than regular ore mined in the Great Lakes region.

TACONITE — The Nation's Ore For Tomorrow's Steel

By HOWARD WINGATE

One afternoon, an elderly grandmother, irked by idleness, suddenly announced to her large brood of visiting grandchildren that she "would make an apple pie if she had some apples, and, a pie tin in which to bake it." The American steel industry, looking ahead, is taking steps to guard against the day when, paraphrasing the grandmother's remark, it "would produce some steel, if it had some iron ore with which to make some iron."

For almost a century, the great iron ranges of the Lake Superior District have supplied about 80 per cent of the industry's iron ore needs. From the Marquette, the Menominee, the Gogebic, and the Mesabi, the greatest iron range of them all, where the ore is scooped from gigantic open pits, or blasted from underground formations, has flowed, since the beginning of operations there, something like two billion tons of rich ore for the maws of the nation's blast furnaces. At its present rate of iron and steel production, the industry needs about 130 million tons of iron ore annually. It expects that this tonnage will have to be increased substantially in this decade and the next if the nation's steel mills are to fulfill the steel requirements of a growing nation. It may be a revelation to the layman to be told that per capita consumption of steel in the U.S. is now at a rate of 1,400 pounds per annum.

Depletion of our Domestic Supply

Obviously, the deposits of the Lake Superior District iron ranges are not inexhaustible. The heavy steel demand over the years, on a sharp crescendo in the postwar period, has depleted these rich ore deposits to the point where new sources have had to be found. The industry some time ago began to look to other countries as sources of iron ore. Imports of iron ore last year were the highest in history, totaling 17.7 million net tons. From Venezuela came 5.83 million net tons, practically all of it from

Cerro Bolivar—U. S. Steel's source of rich iron ore which is mined and shipped by the Orinoco Mining Co., a subsidiary. From Canada, the second largest shipper of iron ore into this country in 1954, came 3.96 million net tons, while Peru, which has become a major source of iron ore for American blast furnaces, sent us 2.15 million net tons. Republic Steel Corp., in its search for more reserves has acquired a substantial ore concession in Venezuela and is exploring an ore body in Peru. Republic, looking for new sources, has gone farther afield by purchasing a controlling interest in the Liberia Mining Co., owning deposits estimated to contain many million tons of rich ore.

Nearer to home, Republic and Armco Steel Corp., together with National Steel Corp., Wheeling Steel Corp., and Youngstown Sheet & Tube Co., joined with other participants in creating the Iron Ore Co. of Canada to develop and operate the Labrador-Quebec ore project. More than 400 million tons of known reserves have already been proved and it is believed that additional large tonnages will be found in the vicinity. Shipments, inaugurated in 1954, are scheduled to be increased by 1956 to 10 million tons a year. Republic's share of the ore will be 25 per cent and Armco's 10 per cent.

With the rich ores of the Lake Superior ranges running out, it is somewhat reassuring to the nation's steel producers to have developed ore reserves in other countries on which they can draw. Every little bit helps, but even more reassuring would be an ample supply in the nation's own backyard. There are several important reasons for this attitude. One, of course, is an adequate domestic supply on which the industry can depend in the event of an international conflict. This is one of the compelling motives for the development of what amounts to a new industry, the mining and processing of taconite, the comparatively low-grade, hard ore, which surrounds the richer deposits in the Lake Superior District.

Taconite and the iron-bearing rocks of Upper Michigan and northern Wisconsin that are similar in some ways to taconite, are not newly discovered sources of iron ore. More than 30 years ago an attempt was made to process this rock on a commercial scale, but the effort met with failure. The superhard rock, in which microscopic crystals of iron oxide are tightly imbedded, defied the processing method of that day. However, the persistency characteristic of the American mining engineer and the metallurgist succeeded in finding a way to process taconite by grinding the rock fine enough to free the microscopic grains of magnetite (iron ore that is strongly attracted by a magnet) so that they can be separated from the rest of the material. Through a series of steps, the magnetite, which at one stage of processing, has been formed into what looks like thick, black mud, is put into a balling drum which shapes it into pellets, about the size of walnuts. From there, these pellets are baked in a hardening furnace to a hard finish and contain, on an average, 62.5 per cent iron. This compares with present Lake Superior District natural ores averaging 51 per cent iron.

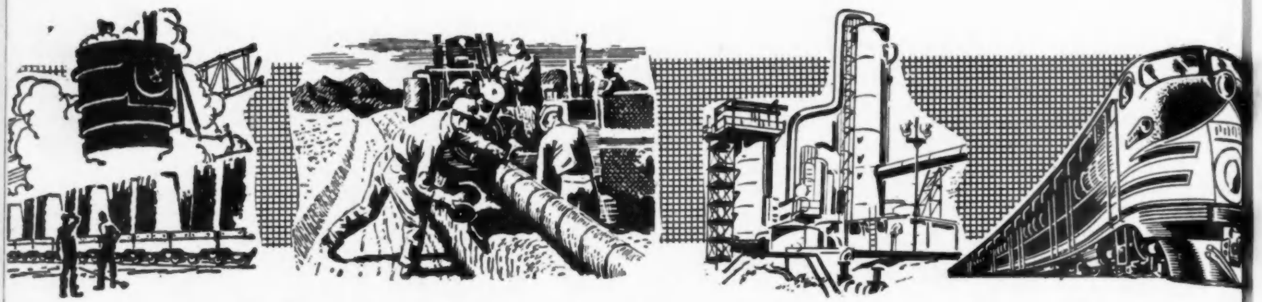
The Beginning of a New Industry

Taconite, then, represents a rich source of iron ore, from the standpoint of its content of the element iron, and the tremendous taconite reserves. On the Mesabi range, it is conservatively there are 5 billion tons of usable taconite, to produce one billion 700 million tons of concentrates, almost as much iron as all the ore shipped in the history of the Lake Superior District iron ranges. It is readily conceivable that "manufactured" iron ore from the taconites of Minnesota and the jaspery, the iron-bearing rocks of Upper Michigan and Wisconsin, probably will, in a short time, be a bigger supplier of ore to the iron and steel industry than the Menominee, the Marquette, the Gogebic and other ranges, except possibly the Mesabi, put together. This outlook supplies the answer to why there is such great activity, especially along the Mesabi, in readying the taconite industry for its birth on a commercial scale.

After several years of experimental work, engineering of proper equipment, and operation of pilot plants, that in 1954 produced close to one million gross tons of taconite, work got under way on several major taconite projects at a cost, so far, of approximately one-half billion dollars. The Reserve Mining Corporation, jointly owned by *Republic Steel* and *Armco Steel* corporations is spending something like $180 million developing its huge mining project at Babbitt, Minn., where (*Please turn to page* 500)

Companies Active in Taconite — A New Industry

Allis-Chalmers Mfg. Co.	Designed and developed the primary crusher for the first commercial taconite plant. Also designed and built the experimental pelletizing and hardening furnace leading to equipment for large scale commercial operation.
Armco Steel Corp.	Jointly with Republic Steel Corp., owns the Reserve Mining Co., controlling huge taconite deposits, a processing plant at Babbitt, Minn., and the new 3.6 million ton capacity E. W. Davis taconite plant at Silver Bay, Minn.
Bethlehem Steel Corp.	Has a joint interest in the Erie Mining Co., operating since 1948 an experimental plant capable of producing 200,000 tons of taconite ores annually; is now constructing a new plant at a cost of approximately $300 million scheduled for 1957 operation with an initial output of 5 million tons annually.
Cleveland-Cliffs Iron Co.	Jointly with Ford Motor Co., owns the Humboldt Mining Co., now producing ore averaging 62% iron from Jasper rock of the Marquette Range in Upper Michigan. Operations begun in 1954, produced 150,000 tons of ore. Another plant is scheduled for operation by spring of 1956.
Interlake Iron Co.	See Bethlehem Steel Corp., remarks.
Republic Steel Corp.	See Armco Steel Corp., remarks.
Steel Co. of Canada	See Bethlehem Steel Corp., remarks.
United States Steel Corp.	Through its Oliver Iron Mining Division is operating experimental plants on a broad scale producing taconite concentrates in sinters and nodules, processes differing from pelletizing. (See text.)
Youngstown Sheet & Tube Co.	See Bethlehem Steel Corp., remarks.



1955 Midyear Re-appraisals of Values; Earnings and Dividend Forecasts

★ ★ ★

Prospects and Ratings for: Railroads — Merchandising — Textiles

Part I

The brilliant record made by business in the first half of the year seems likely to be duplicated in the second half but, in consideration of the extraordinary high plateau of business activity already reached by July, it would be close to a miracle if the same rate of gain could be achieved during the balance of the year. The favorable business background and outlook naturally has important implications with respect to future earnings and dividends. It should not be assumed however, that all industries are in an equally prosperous condition, despite the general speeding up of the economic pace. Some, such as coal, textiles, furniture and farm equipment which had experienced varying degrees of recession up to recently, are now showing signs of recovery but are still rather distant from substantially profitable operations. On the other hand, the major basic industries, such as steel, automobiles, public utility and such miscellaneous industries as rubber & tire, airlines, drugs and electronics are extremely active and give every indication of maintaining a high rate of profits until the end of the year.

Although the present large volume of business and satisfactory outlook has logically laid the foundation for expectation of an increase in the total amount of dividends to be paid this year, with numerous increases anticipated, the investor should be aware that during the first half a number of companies had already raised their dividends and that no further similar action is likely on their part during the next few months. On the other hand, there is an even larger number of companies in a highly prosperous condition which have thus far not increased their dividend rates though this clearly would be justified on the score of rising earnings.

The investor, in estimating dividend prospects, would do well not to raise his expectations indiscriminately, merely because the general dividend trend is up. He would do well to limit himself to an exploration of dividend possibilities among those companies with a steadily widening margin of earnings over dividends and which have not yet taken action to raise their dividends. It is also wise to recognize that a minority are still in uncertain dividend position which can lead to unfavorable action.

Subscribers and readers will be particularly interested in the ratings appended to each stock in the tables and individual comments. Ratings have been arranged to give the greatest practical service with respect to defining investment position and prospects for appreciation and income of the individual stock.

A) *A High-grade investment quality.* This includes stocks only of leadership quality, which meet in the highest degree the requirements of superior management, established position in the industry, substantial financial resources, proven record of earnings and dividends, and assured outlook for the long-range future.

B) *Good-grade.* This is limited to stocks which do not belong in the above category on all counts, but nevertheless represent soundly managed progressive companies, though of somewhat lesser investment grade.

C) *Speculative but improving.* Stocks mainly in cyclical industries, or which represent "marginal" companies.

D) *Unattractive.* Companies with a poor or irregular record.

To further assist our subscribers, we have added the symbols [1], [2], and *.

[1] These stocks appear to have better-than-average appreciation potentials, though this necessarily varies.

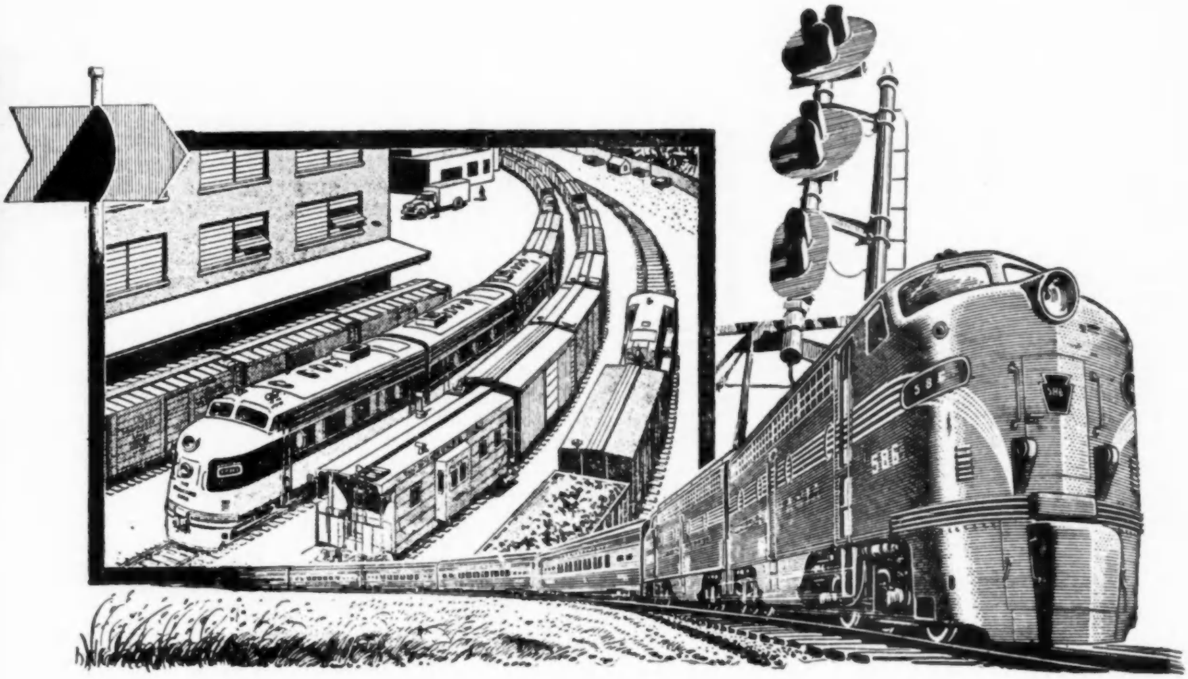
[2] These selective issues are limited mainly to stocks in "A" and are suited mainly for investors whose portfolio demands the best-grade growth stocks.

* This applies only to a limited number of stocks and which seem to possess the most attractive market potential of its group at this time.

Industries Featured in Mid-Year Forecast

— in six consecutive issues of The Magazine:

Railroads — Merchandising — Textiles — Food & Dairy — Sugar — Beverages — Tobacco — Rail, Elect., Farm, Office Equipments—Building —Machinery — Specialties — Steel —Auto & Tires — Accessories — Aircraft — Airlines — Bus & Truck — Shipping — Metals — Petroleum — Chemicals & Drugs — Paper.



CAN RAILS CONTINUE 1955 IMPROVEMENT?

By EDWARD S. WILSON

At mid-year, the nation's railroads are roaring down the main line full speed ahead with the green light glowing brightly before them. Sparked by a steady traffic rise since the first of the year, coupled with a close control over expenses, net income of Class 1 carriers for the year 1955 now bids fair to reach the $800-$850 million mark as compared with $674 million in the relatively poor year of 1954 and $871 million in the post-war peak year of 1953. Moreover, reflecting the accelerated tempo of activity in the automobile, steel and other durable goods industries to record levels, traffic volume, as indicated by carloading reports, has widened its gain over the previous year month by month. This rate of year-to-year increase in carloadings has been as follows: 1.1% in January; 4.6% in February; 8.8% in march; 11.0% in April; 13.6% in May; and 14.5% in the first two weeks of June.

In the first four months of 1955, gross revenues of Class 1 railroad ran only $66 million, or 2%, ahead of the previous year's levels, but net income rose to an estimated $243 million from $132 million in the like 1954 period ($263 million in 1953). The tight rein over expenses is illustrated by the fact that the transportation ratio, the key index of operating efficiency, was cut to 37.8% from 39.3% a year ago. Carloading reports and preliminary earnings reports just coming to hand indicate that a substantial further gain in traffic and earnings was shown in May.

For instance, the Pennsylvania Railroad, largest of the nation's carriers, reported in May a year-to-year rise of 10.6% in gross revenues and a net income of $5.1 million vs. an increase in gross of only 5.2% and a net income of $4.1 million in April. In fact, in exact contrast to the pattern of a year ago, the Eastern roads accounted for over half of the year-to-year increase of $111 million in net income of Class 1 roads in the first four months of 1955. This showing reflects the above-average increase in the movement of coal and iron and steel products, the continuance of the cost reduction program instituted a year ago during the period of sharply declining traffic, and the substantial leverage factor imparted to earnings by relatively heavy fixed charges and terminal expenses. The favorable showing of the Pocahontas roads, of course, is due to the effect of sharply rising bituminous coal traffic. Comparisons for the Southern region suffered from the effect of the strike on the Louisville & Nashville, which lasted from March 14 to May 9. The Western carriers were able to get off to an unexpectedly good start in the seasonally poor first four months of the year because of a very mild winter and a bumper movement of forest products, which has a long haul eastward from Pacific Coast points. The regional pattern of traffic and earnings in the first four months of 1955 and 1954 is spelled out in Table A.

Working Capital Strengthened

With the improvement in earnings which began

last fall and the tapering off of capital expenditures for both road and equipment, the working capital position of the nation's railroads has been bolstered materially over the past twelve months and should be strengthened further during the balance of the year. On last March 31, current assets of $3,229 million, including cash and temporary cash investments of $1,669 million, were equal to 1.9 times current liabilities of $1,716 million, including U. S. tax liabilities of $345 million, and net working capital of $1,513 million amounted to 3.6 times fixed and contingent charges of $425 million for the twelve months ended March 31. By contrast, on March 31, 1954, current assets of $3,265 million, including cash and temporary cash investments of $1,499 million, were only 1.7 times current liabilities of $1,922 million, including U. S. tax liabilities of $502 million, and net working capital of $1,343 million was equivalent to 3.2 times fixed and contingent charges for the latest twelve months' period. In other words, both cash holdings and working capital increased $170 million in the past year while liabilities for federal income taxes were reduced by $157 million. It is also significant to note that materials and supplies, the railroads' inventories, were cut 19% from $859 million to $700 million during this period. Cash flow should be aided by a moderate rise in the tax savings from five-year amortization above the $175 million estimated for 1954 and a gradual decline in the amount of equipment trust maturities.

According to the Interstate Commerce Commission, gross capital expenditures of Class 1 railroads for road and equipment in the first quarter amounted to $173 million, or 28% below the $240 million reported a year ago. Expenditures for the year are forecast at $751 million, or 8% below the $817 million of 1954. However, road expenditures are expected to decline only 2.5% from $320 million to $312 million, while outlays for equipment drop 12% from $497 million to $439 million. The relatively stable level of outlays for road indicate substantial future operating economies as the greater part of these outlays will undoubtedly be earmarked for centralized traffic control and mechanized classification yards, which yield an annual return of 25%-40% on the investment in addition to substantial time savings. With most railroads having completed or virtually completed their dieselization programs, emphasis is now being placed chiefly on purchase of new freight cars which are in short supply in many quarters. (In the first five months of 1955, 509 diesel locomotives were placed in service vs. 684 in the like period a year ago.)

In line with the continuing improvement in railroad earning power and finances, several railroads have already increased dividend payments thus far in 1955 and considerably more increases appear in prospect between now and the end of the year. In 1954, total cash dividend payments of Class 1 carriers amounted to only $302 million, or 45% of reported net income. However, this year we estimate that total disbursements will rise 10%-15% to $330-$345 million (40%-42% of estimated net income of $825 million). Railroads which have already raised their dividend rates include Denver & Rio Grande Western, Illinois Central, New York Central, Pennsylvania, Seaboard Air Line and Southern Railway. Railroads which appear to be logical candidates for higher dividends this year include Atlantic Coast Line, Baltimore & Ohio, Chesapeake & Ohio, Great Northern, Gulf, Mobile & Ohio, Lehigh Valley, New York Central, Pennsylvania, St. Louis-San Francisco, and Virginian.

Action of Rail Stocks

With a recent spurt, railroad stock prices, as measured by the Dow-Jones average, have more than overtaken the "blue chip" industrial stocks. As of the date of this writing, the Dow-Jones railroad average has advanced 12% since last December 31 as compared with an increase of 10.6% for the industrial average. From a technical standpoint, with the railroad average having finally made a decisive penetration of the April highs, the shares of the carriers seem headed for new market peaks. Generally speaking, railroad stocks are selling at reasonable price x earnings ratios and still yield on the average about 50-60 basis points more than industrial stocks of like quality with many selling above a 5% yield. Whereas a year ago the issues of the southern and western roads were the leaders of the market advance, shares of the Eastern roads now appear to offer the greatest speculative possibilities over the near term.

In the light of these comments, which railroad stocks are the most attractive for purchase at the present time? We have chosen to divide our selections into the following three categories:

Above-Average Speculation	Long Term Investment	High Income Return
1. Baltimore & Ohio	1. Chesapeake & Ohio	1. Erie
2. Chicago, Milwaukee, St. Paul & Pacific	2. Denver & Rio Grande Western	2. Norfolk & Western
3. New York Central	3. Great Northern	3. Reading
4. Pennsylvania	4. Illinois Central	4. Virginian
5. St. Louis-San Francisco	5. Louisville & Nashville	
	6. Northern Pacific	
	7. Southern Pacific	
	8. Southern Railway	

Our reasons for these selections are given briefly

How Rail Groups Compare

REGION	Gross Revenues (Millions) 4 Mos., 1955	4 Mos., 1954	% Change	Net Operating Income (Millions) 4 Mos., 1955	4 Mos., 1954	% Change	Est. Net Income (Millions) 4 Mos., 1955	4 Mos., 1954	% Change
Eastern	$1,157	$1,136	+ 2.0%	$109	$ 50	+118.2%	$ 66	$ 87	+25.0%
Pocahontas	197	170	+16.1	34	22	+ 58.3	30	16	+87.5
Southern	447	459	— 2.7	57	52	+ 10.7	45	38	+18.4
Western	1,294	1,264	+ 2.4%	119	81	+ 45.6	102	70	+45.7
Total Class 1	$3,095	$3,029	+ 2.2%	$319	$205	+ 55.9%	$243	$213	+84.1%

Statistical Position of Leading Railroads

	Gross Revenues — 1st 4 Months — 1954 (Millions)	Gross Revenues — 1st 4 Months — 1955 (Millions)	Percentage Change %	Operating Ratio — 1st 4 Months 1955	Operating Ratio — Full Year 1954	Net Per Share* — 1st 4 Months 1955	Net Per Share* — Full Year 1954	Indicated Current Div.	Recent Price	Div. Yield
Atchison, Top. & Santa Fe	$172.3	$178.7	+ 3.7	71.3%	75.1%	$ 4.01	$12.35	$ 7.00	150	4.6%
Atlantic Coast Line	57.0	56.4	— 1.1	80.0	83.7	1.96	4.75	2.00	55	3.6
Baltimore & Ohio	123.1	127.5	+ 3.5	79.4	82.4	3.40[1]	4.75	1.00	50	2.0
Chesapeake & Ohio	122.2[1]	144.7[1]	+18.4	68.3[1]	74.0	2.71[1]	5.01	3.00	53	5.6
Chicago, Milw., St. P. & Pac.	74.3	74.1	— .3	84.7	83.9	(d) .28	2.03	1.00	29	3.4
Chicago & Nor. Western	57.2	59.9	+ 4.6	89.9	88.6	(d) 5.19	(d) 11.23	......	20	......
Chicago, Rock Island & Pac.	60.8	60.6	— .3	75.6	75.7	3.19	10.96	5.00	95	5.2
Dela. Lack. & West.	32.6[1]	33.4[1]	+ 2.4	80.7[1]	82.7	.66[1]	2.25	1.00	21	4.7
Denver & Rio Grande W.	22.7	23.9	+ 5.3	62.9	66.2	1.45	4.39	2.00	41	4.8
Erie	50.4	50.2	— .3	78.3	81.7	.76	1.78	1.50	23	6.5
Great Northern Ry.	67.9	71.1	+ 4.6	81.6	75.4	.71	4.21	2.20	42	5.2
Gulf, Mobile & Ohio	27.9	27.6	— 1.2	71.6	74.4	1.94	5.09	2.00	42	4.7
Illinois Central	91.6	93.8	+ 2.4	73.0	75.7	2.41	7.68	3.00	67	4.4
Kansas City Southern Sys.	14.1	14.4	+ 2.3	55.9	59.1	1.80	5.20	3.00	80	3.7
Lehigh Valley	21.0	21.5	+ 2.4	81.0	82.9	.74	1.76	1.20	23	5.1
Louisville & Nashville	67.2	45.8	—31.9	(NA)	81.8	2.40	8.09	5.00	86	5.8
New York Central	236.7	238.8	+ .9	79.1	84.1	3.28[1]	1.42	2.00	45	4.4
N. Y. Chicago & St. Louis	57.8[1]	62.6[1]	+ 8.2[1]	69.6[1]	70.4	2.57[1]	6.05	3.00	54	5.5
N. Y., N. H. & Hart.	49.7	49.5	— .4	80.1	81.7	2.92	1.78	......	38	......
Norfolk & Western	52.9	61.7	+16.7	71.6	73.9	1.62	4.52	3.50	57	6.1
Northern Pacific	50.3	53.7	+ 6.6	83.3	83.1	1.40	5.79	3.00	81	3.7
Pennsylvania	351.3[1]	366.1[1]	+ 4.2	81.6[1]	84.0	1.04[1]	1.41	1.00	30	3.3
Reading	37.6	37.8	+ .5	76.4	79.1	2.13[1]	4.57	2.00	37	5.4
St. Louis-San Francisco	42.0	43.6	+ 3.7	74.7	79.1	1.49	2.59	1.50	34	4.4

*Before funds.

(d) Deficit.

(NA) Not available.

[1] 5 months to May 31.

[2] Estimated, 5 months to May 31.

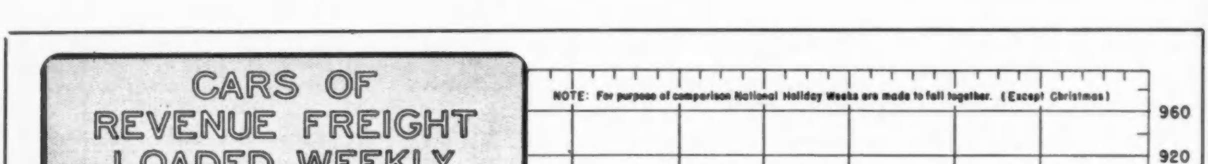
in the table of comment on 30 individual roads accompanying this article.

Although not yet tested in the crucible of a severe depression, railroad stocks as a group are gradually improving in investment stature. In recent years, a fresh breeze has blown away many of the cherished and rather cobwebbed shibboleths of old-time railroad managements. Dieselization is being followed by such promising new developments as "push button" classification yards, centralized traffic control, mechanization of accounting, "piggy-back", light weight passenger trains, and more intensive use of machines in maintenance of way. Of course, with the recent guaranteed annual wage award to Ford and General Motors workers, the fear arises that the railroads may again be caught in the traditional squeeze between rising wage costs and relatively inflexible rates. However, the hope, which in many cases has already been realized, is growing that the next round of wages will be offset in large part by the tremendous advances in the technique of railroading made in recent years. As regards rates, the railroad industry on April 15 applied to the I.C.C. to make permanent the increases authorized three years ago and now scheduled to expire on next December 31. It is probable that this request will be granted and, contrary to general opinion, recent developments may enable the carriers to obtain and "make stick" selective rate increases in the future when justified by higher costs.

Outlook for Freight Traffic

In the first three months of the year, the tonnage carried by intercity trucks increased 12% over 1954 levels as compared with a year-to-year increase of less than 5% for railroad carloadings. The diversion of railroad traffic to the trucks, which we have referred to in previous articles, therefore still continues. However, there is a growing basis of belief that this trend is going to be slowed down considerably if not halted. As eminent an authority as James M. Symes, president of the Pensylvania, recently estimated that piggyback operations (trailers on flat cars) could enable the railroad industry to recover from the trucks $1 billion of gross revenues annually. Such a recovery would have amounted to nearly 11% of 1954 gross revenues of $9.4 billion for Class 1 carriers. Although viewed cynically by many railroad traffic men as recently as a year ago, "piggy-back" is proving to be a lusty and growing infant who is gaining adherents steadily as the months pass by. In addition, the trucks are suffering increasingly from higher wage and material costs with a resultant growing pressure to raise revenues by increasing rates, thereby giving greater flexibility for railroads' pricing of their service.

An event of great potential significance over the longer term was the publishing by the White House on last April 18 of the long awaited transportation report from a Cabinet committee headed by Secretary of Commerce Sinclair Weeks. This report contained the following constructive proposals: 1, give the I.C.C. power to order the discontinuance of unprofitable facilities or services that impose "an undue burden upon interstate commerce" if other forms of service are available; 2, repeal "the long-and-short haul clause" of the Interstate Commerce Act; 3, limit the (*Please turn to page* 504)



Statistical Position of Leading Railroads (Continued)

	Gross Revenues — 1st 4 Months — Millions 1954	Gross Revenues — 1st 4 Months — Millions 1955	Percentage Change %	Operating Ratio — 1st 4 Months 1955	Operating Ratio — Full Year 1954	Net Per Share* — 1st 4 Months 1955	Net Per Share* — Full Year 1954	Indicated Current Div.	Recent Price	Div. Yield
Seaboard Air Line	$ 54.1	$ 54.2	+ .1	71.7%	73.0%	$ 3.10	$ 8.51	$ 4.75	84	5.6%
Southern Pacific	195.5	204.2	+ 4.4	77.2	80.0	2.72[1]	4.90	3.00	61	4.9
Southern Rwy.	83.2	90.8	+ 9.0	64.9	70.7	4.95[2]	8.95	4.00	96	4.1
Union Pacific	148.6	152.3	+ 2.4	75.6	75.9	4.75	14.76	7.00	169	4.1
Virginian Rwy.	11.6	13.5	+16.8	58.4	61.8	1.55	3.71	2.50	42	5.9
Western Pacific	15.2	16.2	+ 7.0	76.2	77.3	2.07	7.62	3.00	69	4.3

* Before funds.
(d) Deficit.
(NA) Not available.

[1] 5 months to May 31.
[2] Estimated, 5 months to May 31.

Atchison, Topeka & Santa Fe: One of genuine blue chips in railroad field; excellent finances and efficiency, outstanding growth territory and low debt. Earnings this year expected to be highest since post-war peak of $15.64 per share in 1950. A[2]

Atlantic Coast Line: With large post-war rehabilitation program close to completion and important new industries coming on line, earnings in long term uptrend. Logical candidate for dividend increase. B[2]

Baltimore & Ohio: Rising tide of coal and steel traffic, close control of expenses, prospective substantial interest-savings from large scale refunding program, and long term traffic growth factors giving equity above-average speculative attraction. C[1]

Chesapeake & Ohio: Record earnings of well over $6 per share looked for in 1955 and year-end extra dividend likely. Road's coal traffic showing basic improvement, merchandise traffic improving and cost control good. B[1*]

Chicago, Milwaukee, St. Paul & Pacific: Finances aided by recent $11 million tax refund, and completion of dieselization and yard improvement have greatly improved operating efficiency. Industrial and agricultural development of North West and potential large economies from coordination of service with Chicago & North Western fundamentally promising factors. C[1]

Chicago & North Western: Aided by marked recovery in iron ore and manufactured goods traffic, operations this year should be well in the black compared with deficit of nearly $5 million in 1954. Very marginal road, but substantial leverage factor in earnings and consolidation with St. Paul could produce large savings. C[2]

Chicago, Rock Island & Pacific: Tax savings from recent refunding of preferred stock with debentures and above-average operating efficiency should lead to increase in 1955 earnings. Increase in the $3 dividend rate possible later on. B[2]

Delaware, Lackawanna & Western: Year-to-year increase in earnings will probably be below industry average in 1955, but payment of $5.8 million bond maturity in November will cut sinking fund and interest requirements substantially. More liberal dividends may be paid over longer term. C[2]

Denver & Rio Grande Western: Earnings could reach new high in line with approaching 100% dieselization and above-average increase in traffic. Following 3-for-1 stock split, dividend rate may be raised again. B[1]

Erie: Earnings disappointing to date, but opening of gigantic Ford assembly plant this summer and tax savings from refunding preferred stock with income debentures should lead to more favorable comparisons later on. Stock returns above-average yield. C[2]

Great Northern: Off to excellent start in first four months, earnings should set new record in 1955 sparked by indicated heavy iron ore movement. Second dividend increase in year appears in prospect. B[1*]

Gulf, Mobile & Ohio: Rising lumber, iron ore and paper movement and comparatively low transportation ratio should lead to moderately higher 1955 earnings and probable repetition of 50¢ year-end extra paid in 1953. Economic development of South, particularly ports of Mobile and New Orleans, gives above-average traffic growth. B[2]

Illinois Central: Recent decision of management to dieselize 100% in next three years should lead to substantial operating economies. Debt is low, company's territory an expanding one, and ratio of dividends to earnings conservative. B[1*]

Kansas City Southern: Selling at less than 7 times estimated 1955 system earnings of over $11 per share, stock appears conservatively priced and increase in the $3 dividend rate should be forthcoming. Both traffic growth and operating efficiency excellent. B[2]

Lehigh Valley: High rate of steel and general industrial activity accelerating traffic uptrend and forthcoming $2.1 million income tax refund and lower sinking fund requirements should produce more favorable flow. C[2]

Louisville & Nashville: Despite two months' strike, earnings in 1955 should easily surpass last year's $8.09. Approaching 100% dieselization, growing economies from extensive yard program, additional earnings from merger of the Nashville, Chattanooga & St. Louis, and growth territory give considerable measure of long term appeal. B[1*]

New York Central: This year's net income currently forecast at $7 per share, highest in post-war period. With dynamic new management making substantial and continuing economies, $2 dividend rate inaugurated early in year may be raised in due time. C[1]

New York, Chicago & St. Louis: Good operating efficiency, estimated tax savings of 50¢ per share from replacement of preferred stock with income debentures and high rate of activity in durable goods industries favorable short term factors. Over longer term, relatively low rate of dieselization provides opportunity for large future savings. B[2]

New York, New Haven & Hartford: Sharp pruning of expenses by new management and realization of substantial non-recurring tax credits should result in best earnings year since the war. However, New England area served lacks growth, truck competition severe, and terminal expense heavy. C[2]

Norfolk & Western: Road's important coal traffic appears in long term uptrend, other traffic sources being developed, and recent initial purchase of diesels may mark significant change in management thinking. Yield from well-secured $3.50 dividend relatively liberal for stock of this quality. A[2]

Northern Pacific: Heavy movement of lumber from Pacific North West, steady progress in dieselization, and increasing economies from new Pasco yard should push earnings to new post-war high. Territory has interesting growth possibilities and oil and gas interests are developing steadily. B[1]

Pennsylvania: Under its new president, nation's largest railroad appears to have turned the corner in past year. Net income this year should be highest since 1945 and regular dividend rate should be supplemented by year-end extra. C[2]

Reading: Aided by high rate of activity in durable goods industries, increased savings from dieselization and new classification yard, earnings should show moderate increase in 1955. $2 dividend well-secured and affords attractive return. B[2]

St. Louis-San Francisco: Earnings expected to show sharp recovery and $1.50 dividend rate (reduced from $2.50 last February) may well be increased. Closer liaison with Central of Georgia and oil exploration on 51%-owned New Mexico and Arizona Land Co. provide interesting speculative possibilities. C[1]

Seaboard Air Line: Steady improvement in operating efficiency and traffic; dividend payments increased every year since initiation in 1948. Recently inaugurated $5 dividend rate gives attractive return of 6%. B[2]

Southern Pacific: Operating efficiency benefiting from stepped up program of dieselization and yard improvements. Territory served an outstanding growth area and ownership of 5 million acres has interesting long term potentialities. B[1*]

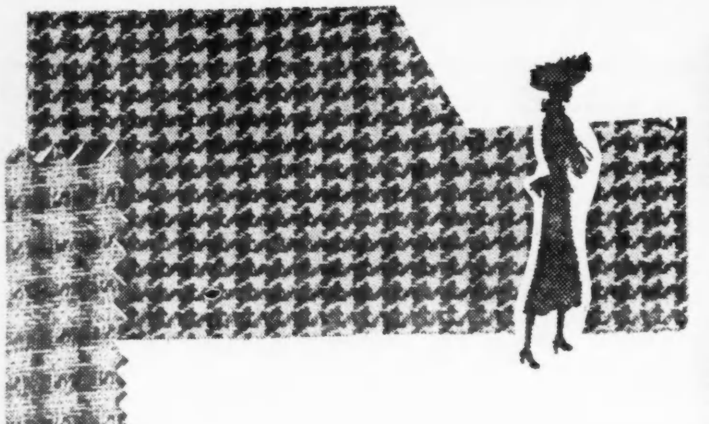
Southern Railway: Long an industry leader in efficiency of operations, road's earnings this year should approach the post-war peak of $11.63 per share reached in 1953. Payment in cash of once feared 1956 bond maturities should lead to higher dividend payments. B[2]

Union Pacific: High investment rating further strengthened by basic improvement in railroad operations resulting from rapid dieselization. Net income in 1955 forecast at record high of over $17 per share and $7 dividend rate could easily be increased. A[2]

Virginian: With large scale dieselization program of past 12 months resulting in spectacular operating economies not yet fully realized, 1955 earnings will exceed 1951's post-war high of $4.48 per share. Year-end extra dividend may well be added to $2.50 regular rate, which yields 6%. B[2]

Western Pacific: Heavy expenses for property rehabilitation will probably hold year-to-year improvement in earnings to moderate proportions. However, dynamic growth trend of Pacific Coast territory, growing economies from past large capital expenditures, and basic improvement of subsidiary Sacramento Northern, are long term constructive forces. B[2]

RATING: A — High-grade investment quality. B — Good grade. C — Speculative but improving. D — Unattractive.
[1]—Above-average appreciation potential at current market levels. [2]—Retain for long-term investment.
***—Most attractive of group based on current market price.**



A STRONGER PATTERN FOR TEXTILES

By J. C. CLIFFORD

At a gathering this spring of investment counselors, stock brokers, security analysts and just plain people with no accreditation other than their readiness to put money into sound equities, an argument raged over industries whose traditional characteristics were cyclical, feast and famine, boom and "bust." Varying shades of opinion were offered on railroads, paper and the building business, among others. But there was absolute unanimity when the conversation got around to textiles—the foregoing appellations, all agreed, fit that field. It offered not a single investment-type issue.

Textiles, like all industries, have problems—only more of them and of longer duration. The field is highly competitive and blessed (if that is the proper word) with over-abundant facilities. It now is undergoing a cataclysmic change arising out of the development of synthetic fibers, which has bred new problems. For keen rivalry has emerged, not only between the natural and man-made fibers but within the synthetic field itself, with rayon stacked against orlon, orlon against dacron and combinations of all of these, including cotton and wool, vie with each other.

The bewilderment of the trade is as nothing compared to the perplexity of the public. Menfolk are fingering rayon sports jackets and trying on a man-made-fiber suit that is guaranteed to shed wrinkles. Over in the ladies' department, they are buying dacron-with-cotton Bermuda shorts and nylon-cotton dresses. For the exterior of their home, families are buying glass-fiber awnings. Inside the house, they may use synthetics for endless items, ranging from cloth to polish the silverware to the organdie curtains that frame their windows.

While the emergence of such new fibers as saran, acrilan, dynel and scores of others has wrought a revolution in the industry, yet another part of the story must be told to gain a better understanding of the problems of this trade. Looking back, it is to be noted that the industry, with its enormous capacity, was geared to share in the upsurge stemming from the outbreak of war in Korea in June of 1950. Inventories had been sharply curtailed in 1949 as a result of the slack in the latter part of 1948.

Hence, manufacturing facilities were in excellent condition and supplies of manufactured goods were on the low side when, in the summer of 1950, the military establishment moved to outfit vast numbers of fighting men. Meanwhile, civilians went on a "scare buying" spree in the fear that consumer goods would soon disappear from retail shelves. The peak in this frenzied buying was attained the following year, after which it subsided sharply. In the meantime, of course, the industry once more had accumulated unwieldy inventories. The ensuing years have been marked by keen competition and shrinking profit margins.

Upturn in 1955

As a result of the conditions cited, textile stocks, as a group, failed to participate in the general advance of the share list. Owing to the cyclical nature of the industry, not one of these companies can be placed in the investment-type category. Yet, at

Position of Leading Textile Companies

	1st Quarter						Full Year						
	Net Sales		Net Profit Margin		Net Per Share		Earned Per Share		Dividend Per Share		Price	Recent	Indicated
	1954 (Millions)	1955	1954 %	1955 %	1954	1955	1953	1954	1954	Indicated 1955	Range 1954-55	Price	Div. Yield
AMERICAN VISCOSE.. W.C. (mil.) '53—$67.2 W.C. (mil.) '54—$65.4	$ 50.9	$ 66.4	3.2%	8.9%	$ .34	$ 1.39	$ 2.74	$ 2.31	$ 2.00	$ 2.00	56-30	56	3.5%
BEAUNIT MILLS .... W. C. (mil.) '53—$18.8 W. C. (mil.) '54—$19.9	17.8[1]	24.1[1]	9.9	5.1	1.25[1]	.85[1]	3.03[4]	2.59[4]	1.00	1.20	28-13	28	4.2
BELDING HEMINWAY W.C. (mil.) '53—$7.0 W.C. (mil.) '54—$6.7	5.8	6.4	1.7	2.0	.26	.32	1.38	1.14	.70	.70	17-10	15	4.6
BOTANY MILLS .... W.C. (mil.) '53—$10.0 W.C. (mil.) '54—$ 5.1	4.5	3.3[3]	(d)2.10	......	(d) 2.07	(NA)	(d) 3.38	(d) 9.26	......	......	2- 4	3	......
BURLINGTON IND. .... W.C. (mil.) '53—$136.3 W.C. (mil.) '54—$168.9	84.5[2]	132.4[2]	2.3	3.4	.24[2]	.59[2]	1.35	1.04	.60	.60	19-10	17	3.5
CANNON MILLS .... W.C. (mil.) '53—$80.1 W.C. (mil.) '54—$84.4	(NA)	(NA)	......	......	(NA)	(NA)	4.95	4.39	3.00	3.00	61-44	57	5.2
CELANESE CORP. ...... W.C. (mil.) '53—$70.9 W.C. (mil.) '54—$78.4	28.9	45.8	.3	8.5	(d) .19	.47	1.01	.32	.62½	.50	26-16	24	2.0
CLUETT PEABODY .... W.C. (mil.) '53—$35.2 W.C. (mil.) '54—$37.7	19.6	17.2	4.2	4.5	.94	.85	4.12	3.25	2.50	2.50	47-32	43	5.8
CONE MILLS .... W.C. (mil.) '53—$52.4 W.C. (mil.) '54—$51.4	31.4	38.2	3.4	2.3	.30	.24	2.59	.71	1.20	.80	24-18	19	4.2
CONSOL. TEXTILE ...... W.C. (mil.) '53—$6.2 W.C. (mil.) '54—$6.6	(NA)	(NA)	......	......	(d) .10	(d) .02	.95	(d) .37	.10	......	11- 7	8	......
DUPLAN CORP. .... W.C. (mil.) '53—$8.5 W.C. (mil.) '54—$8.2	6.1	7.4	1.8	1.6	.12	.13	.28	.35	.10	.10	12- 7	10	1.0
GOTHAM HOSIERY .... W.C. (mil.) '53—$2.8 W.C. (mil.) '54—$1.9	1.7	1.7	(d) 9.1	(d) 2.9	(d) .41	(d) .13	(d) 1.53	(d) 3.93	......	......	7- 4	5	......
INDUSTRIAL RAYON .. W.C. (mil.) '53—$34.7 W.C. (mil.) '54—$34.4	16.9	22.2	11.7	12.2	1.07	1.48	4.68	4.01	3.00	3.00	58-39	56	5.3
KAYSER (J.) & CO. .... W.C. (mil.) '53—$10.3 W.C. (mil.) '54—$11.1	(NA)	(NA)	......	......	(d) .27	.42	.68	(d) .64	.25	.25	25-12	20	......
LEES (JAS.) & SONS..... W.C. (mil.) '53—$21.7 W.C. (mil.) '54—$19.6	15.4	16.7	3.9	3.9	.71	.78	3.76	3.31	2.00	2.00	34-22	33	6.0
LOWENSTEIN (M.) .... W.C. (mil.) '53—$38.3 W.C. (mil.) '54—$63.4	77.3	87.0	2.2	2.7	.63	.87	2.65	2.50	1.02½	1.17	27-15	25	4.6
PEPPERELL MFG. CO. W.C. (mil.) '53—$25.8 W.C. (mil.) '54—$25.2	(NA)	(NA)	......	......	(NA)	(NA)	7.94	4.91	4.00	4.00	72-60	68	5.8
POWDRELL & ALEX. .. W.C. (mil.) '53—$4.4 W.C. (mil.) '54—$3.8	2.7	1.8	(d)11.3	(d) 6.7	(d) .51	(d) .20	(d) 1.13	(d) 3.61	......	......	8- 5	8	......
RAYONIER, INC. .... W.C. (mil.) '53—$34.7 W.C. (mil.) '54—$49.0	19.7	34.0	14.2	10.8	1.26	1.61	4.72	5.12	1.75	2.40	97-25	94	2.5

W.C.—Net working capital.
(NA)—Not available.
(d)—Deficit.
1—4th quarter, Mar. 31 fiscal year.
2—Quarter ended April 2.
3—Estimated.
4—Year ended Mar. 31.
5—Textron Inc. only.
6—Quarter ended Feb. 28.

(Please turn to page 473)

present depressed levels, many of the financially stronger firms offer sound value and should be helped by the recent upturn in textile demand, which has enabled manufacturers to operate at high levels through the first quarter of 1955. It must be emphasized, however, that in spite of capacity or near-capacity operations, intense competition permitted only moderate (if any) betterment in prices, so that operating margins failed to return to a satisfactory level. Exceptions to this trend may be noted where companies have merged. Recent mergers not only served to diversify operations of the company involved, but also resulted in disposal of mills deemed inefficient. This is a step toward solution of the industry's chronic problem of over-capacity.

Probably the most striking example of this merger-diversity trend was provided this year with the birth of Textron American, Inc. It brought together Textron, American Woolen and Robbins Mills with the combine moving beyond the textile field into aircraft components, precision instruments and electronic devices. Target for next year is a volume of $300 million, to be derived equally from the old-line business and the newly-acquired small firms coming up in the "glamour" industries.

Growth Within the Industry

The history of Beaunit Mills, Inc., a medium-size company in this field, demonstrates however that through merger, diversification and research, growth is possible even within the up-and-down textile industry. Beaunit's rise got underway a decade ago with its entry into the chemical field of rayon yarn production. Through acquisition of existing firms with extensive background of know-how and research, and construction of a 50-million pound rayon yarn plant, the very nature of the business was changed. At the same time, the company did not stray far afield. Sales of rayon tire yarn now account for half of Beaunit's annual volume and textile yarns for another 20%.

For the fiscal year that ended March 31, 1946, Beaunit had sales of $28,615,000 and net profit of $2,099,000, equal to $2.21 a share of common stock. Working capital was at $5,434,000 and book value was $8.41. For the year that ended March 31, 1951, sales were up to $95,746,000, net profit at $8,460,000, or $6.86 a share; working capital had reached $18,388,000 and "book" was $26.85. The next year began the decline that swept the entire industry and Beaunit sales fell by more than one-third and net profit was only $2,314,000, equal to $1.59 a share. Thereafter the upward spiral was resumed, although the last fiscal year, marked by strikes in the rubber industry and customers slashing inventories, saw the advance halted again. For the year that ended March 31, 1955, sales were $84 million and net profit was $3,850,000, or $2.59 a share. This compares with sales of $85,331,000 and net of $4,489,000, or $3.03 a share, in the previous year.

An improvement got underway during the second half of the year that enabled Beaunit to end the year on a strong note. This improvement is continuing. The stock now is selling at 28, compared with book value of $31.76. The Beaunit record of paying some dividend in each year since 1931 is outstanding in the textile industry. The dividend was boosted to 30 cents quarterly this year from 25 cents.

Kingpin of the Textiles

From Beaunit to Burlington is quite a jump, for the latter is the giant of the industry as a result of its acquisition one year ago of a controlling interest in Pacific Mills, Inc. and Goodall-Sanford, Inc. Burlington Mills Corp. had generally been associated with development, manufacture and merchandising of fabrics produced from man-made fibers. With diversification into natural fibers and blends, a change of name was deemed appropriate. Burlington Industries, the name it adopted this year, also reflects a policy of decentralization.

Burlington Industries is the parent of a family that includes Galey & Lord, Burlington Hosiery, Peerless Woolen Mills, National Mallinson, in addition to the two acquired in 1954. The Palm Beach Co. of Goodall-Sanford is the nation's largest maker of men's summer suits. Pacific Mills has eight cotton and rayon plants and six woolen and worsted plants, all but one—the worsted unit—in Dixie.

Consolidated net sales for the six months ended April 2, 1955, totaled $259,800,000, including sales of Pacific Mills. For the six months to April 2, 1954, Burlington sales were $167,150,000. Net profit for the latest six months amounted to $8,745,000, equal to $1.12 a common share on the 7,151,085 common shares outstanding. In the like six months a year ago net was $4,153,000, or 50 cents a share on 6,998,608 shares. Of the net profit recorded this year, $848,000 was derived from the interest in Pacific Mills. Consolidated sales and earnings this year do not include results of Goodall. Provision was made at the time of acquisition for loss during the period of Goodall reorganization.

With an indicated annual volume of a half billion dollars, Burlington dwarfs such other industry leaders as Cannon Mills, M. Lowenstein and American Viscose. It also towers over the industry in breadth of product. Burlington, wisely, is pursuing a policy of decentralization, for in this industry a good little company can beat a good big company, provided both turn out the same type of fabric. The giant's sole advantage is ability to diversify into several kinds of fabrics—which means it must operate as a collection of smaller firms. Consequently, Pacific and Goodall are operating as independent divisions of Burlington.

If there is anything forbidding in the Burlington picture, it is to be found in the financial structure. There are three long-term loans amounting to $80 million, due in whole or in part in the 1970's. Then there is a new $25 million loan, due 1959, incurred to replenish Burlington's coffers after the Pacific and Goodall purchases. There are four classes of preferred stock, three traded on the New York Stock Exchange and one over the counter, with dividend rates of 3.5%, 4%, 4.2% and 4.5%, respectively. Finally, there are the 7 million-odd common shares. The $80 million in long-term money costs the company only a little more than 3%. Indeed, the total interest and preferred-dividend burden of a little over $5 million is not onerous for a company of Burlington's size and profit-making capacities. Moreover, this burden could be cut by some $800,000 if the company chose (*Please turn to page* 496)

Positions of Leading Textile Companies (Continued)

	1st Quarter Net Sales 1954 (Millions)	Net Sales 1955 (Millions)	Net Profit Margin 1954 %	Net Profit Margin 1955 %	Net Per Share 1954	Net Per Share 1955	Full Year Earned Per Share 1953	Earned Per Share 1954	Dividend Per Share 1954	Dividend Per Share Indicated 1955	Price Range 1954-55	Recent Price	Indicated Div. Yield
REEVES BROS., INC. .. **W.C. (mil.) '53—$14.3** **W.C. (mil.) '54—$14.3**	$12.5	$13.6	.5	.1	$.06	$.02	$1.31	$1.01	$1.05	$1.00	18-12	14	7.1
STEVENS (J. P.) & CO. **W.C. (mil.) '53—$113.6** **W.C. (mil.) '54—$111.6**	70.4	77.1	.8	2.9	.14	.58	2.35	.90	1.50	1.00	30-22	27	3.7
TEXTRON AM., INC. **W.C. (mil.) '53—$9.7[3]** **W.C. (mil.) '54—$48.0**	22.8[5]	33.1	.4%[5]	5.0%	(NA)	.47	(NA)	.42[3]	.10[3]	.85	19- 6	18	4.7
UNITED MER. & MFG. **W.C. (mil.) '53—$71.9** **W.C. (mil.) '54—$77.5**	(NA)	(NA)	......	......	.49	.84	1.98	1.74	1.00	1.00	23-11	22	4.5
VAN RAALTE CO. .... **W.C. (mil.) '53—$8.2** **W.C. (mil.) '54—$8.9**	7.4	7.3	5.9	6.5	.91	.98	3.50	3.39	2.60	2.60	39-28	34	7.6
WYANDOTTE WSTD... **W.C. (mil.) '53—$8.2** **W.C. (mil.) '54—$5.5**	(NA)	(NA)	......	......	(d) .29[6]	(d) .16[6]	4.6	.13	......	......	12- 6	10	......

W.C.—Net working capital.

(NA)—Not available.

(d)—Deficit.

1—4th Quarter, Mar. 31 fiscal year.

2—Quarter ended April 2.

3—Estimated.

4—Year ended March 31.

5—Textron, Inc. only.

6—Quarter ended Feb. 28.

Note: Burlington Industries now controls 82% of Goodall Sanford and 75% of Pacific Mills.

——————

American Woolen Co. and Robbins Mills have merged into Textron American, Inc.

——————

Lowenstein (M.) & Sons now own 91% of Wamsutta Mills.

American Viscose: A foremost producer of synthetics. Sharp upturn in earnings may portend a rise from the $2 annual dividend. Its interest in Chemstrand, which has turned the corner, could be a governing factor. B[2]*

Beaunit Mills: This leader in tire yarn field raised the dividend this year to 30 cents quarterly from 25 cents, a modest payout in light of earnings of $2.59 a share for last fiscal year. Dividend record includes payment in every year since 1931. C

Belding Heminway: At current price, 70-cent annual dividend rate yields about 5%. Dividend seems safe for this old-line thread manufacturer, which has paid some dividend in every year since 1934. C

Botany Mills: Long-time producer of woolen and worsted fabrics now setting up cotton division, obtained through acquisition of four Southern textile companies. Diversification should help this company, which has poor earnings record. D

Burlington Industries: Despite complex financial structure, this leader of the textile industry represents an outstanding growth situation. Common dividends of 15 cents quarterly are highly conservative in light of current earnings. At current price, however, yield is fair. B[2]

Cannon Mills: Quarterly dividend rate of 75 cents paid by this leading cotton textile manufacturer appears safe. Has record of paying some dividend in every year since 1890. Priced to yield more than 5%. B[2]*

Celanese Corp. of America: Dividend was pared last year when it had difficulty reducing operations consistent with cutback in output. A sharp turn-around in the business this year should assure, at the least, maintenance of the reduced disbursement. C[1]

Cluett, Peabody: Sales and net declined last year, yet company maintained the $2.50 annual payout. Declined carried over into 1955, but indications of a slightly better profit margin should enable company to maintain the dividend. B

Cone Mills: This cotton-goods producer cut dividend rate twice last year. Sales improvement this year has been marked, although profit dwindled. Prospect is for retention of the current 20-cent quarterly. D

Consolidated Textile: No dividend declared since the end of 1953 as company was in "red." Prior dividend record fair. D

Duplan Corp.: This company, which twists nylon yarn and is a weaver, has dividend record, paying something in each year since 1908. Outlook is for retention of the 10-cent payout of last year, at the least. D

Gotham Hosiery: This maker of women's hosiery and lingerie has reduced deficit. Business is highly competitive. D

Industrial Rayon: Sales, net and profit margin tending higher for this maker of tire cord yarn and textile rayon yarn. The $3.00 dividend appears conservative for this company, which has paid something in every year since 1931. B[1]

Kayser (Julius) & Co.: Indications of a return to profitable operations for the fiscal year that ended June 30 for this 76-year-old maker of women's hosiery, gloves and undergarments. New management and new acquisitions should help. A "token" dividend is in prospect. D

Lees (James) & Sons: Company has achieved satisfactory results under difficult conditions. Maintenance of present dividend is anticipated. D

Lowenstein (M.) & Sons: This top-grade textile manufacturer recently split stock and boosted dividend twice. Has excellent earnings record. B[2]

Pepperell Manufacturing Co.: Fiscal year that ended June 30, 1954, was one of the most difficult for this leading old-line cotton goods concern, but 75-cent quarterly plus $1 extra ($4 in all) were maintained. Company has record of paying some dividend in each year since 1852. B

Powdrell & Alexander: Unsatisfactory operations continue to hamper this small unit. D

Rayonier, Inc.: Dividend was boosted last year and again this year. This was followed in June with stock split and promise of new dividend rise. Current level of payments is moderate in light of sharp upturn in sales and earnings. B[2]

Reeves Brothers, Inc.: Despite higher sales, keen competition has hurt profit margin. Dividend was trimmed to 25 cents from 30 cents quarterly last year and present rate is in jeopardy. D

Stevens (J.P.) & Co., Inc.: Has strong finances and well diversified textile products. Indicated earnings uptrend presages a possible moderate increase in dividend rate. C[1]

Textron American, Inc.: Born this year out of Textron, American Woolen and Robbins Mills, it is undertaking sweeping diversification program. Mixing textiles with aircraft parts, precision instruments and electronic devices. Paid 25 cents on common July 1, but future action will hinge on its success in new fields. C

United Merchants & Manufacturers: With increased emphasis on retail segment, this leading integrated operator has achieved fairly stable earnings. Continued improvement in earnings could lead, over near term, to higher dividend or an extra. C

Von Raalte Co.: Better earnings outlook for this leading maker of gloves and lingerie indicates ample coverage for the $2.60 annual dividend. B

Wyandotte Worsted Co.: Showed small profit in 1954, but relapsed into deficit operations this year. Little basis for projecting dividend over near term. D

Ratings: **A — High-grade investment quality**
B — Good grade
C — Speculative but improving
D — Unattractive

1 Above-average appreciation potential at current market levels.

2 Retain for long-term investment.

*** Most attractive of group based on current market price.**

Can Merchandisers Hold New Gains In Profits?

By VERNON SAVAGE

Assaying the outlook for the great merchandising establishments of the country entails such variables as an enormous product mix (sales of air-conditioners lagged while barbecue equipment was in demand), the weather (rain and cold last Spring were hurtful in the East while sunny days helped in the West), the labor situation (wildcat strikes and the threat of strikes kept customers away) and the competition of discount houses (severe in many large metropolitan centers). These are but a few of the conditions that are subject to daily change in the merchandising business.

Another measure of the task may be gleaned from the fact that the mammoth mercantiles must cope with more competition than exists in any other line of endeavor. After all, their business is duplicated in one way or another by some 1.9 million retailers across the land – about one for each 86 persons in the population. The fellow who argues that a little store can't compete with the great merchant princes has never been inside a discount house, which doesn't merely meet the competition of the big stores but often undersells them. The department stores, in a few instances, have begun to fight back, but as of this writing there is not a single complaint from a discount house that it is being undersold by the merchandising giants.

Problems often provide opportunities, too. Many a harried store executive, worried about the exodus of customers to the suburbs, now can see an era of vast growth for his company arising out of the branch-store program. He has gone to the customer. Others, failing to comprehend the times, have gone to the wall. In New York, as an example, a number of retailing landmarks has disappeared.

That the opportunities outweigh the problems may be discerned from scores of reports, covering stores large and small. The following items, plucked at random from the news, provide an insight to the trend:

Stores sales throughout the nation in early June rose 5% from year-earlier levels and for the year to June 4 sales topped the 1954 pace by 7%. Rose's 5-10-25 Cent Stores reported sales for May were up 8.6% from the year-ago period. At the other end of the merchandising scale, giant Sears, Roebuck & Co. showed a four-month sales gain of 12.7%. Lane Bryant, a factor in the feminine apparel field, in May ran 13.2% ahead of the May, 1954, volume. In the general merchandise field, J. C. Penney and Mercantile Stores were ahead of the 1954 month by better than 9%. In the variety field, Neisner Brothers, Inc. came up with a 10.8% gain in May from the 1954 month. The Detroit department store, Crowley, Milner & Co., reported net profit of $32,400 for the April 30 quarter, compared with a net loss of $89,300, after giving effect to a $96,700 tax credit, in the 1954 period. To this list, plucked from the daily record, could be added such "name" companies as R. H. Macy, Gimbel Brothers, Federated Department Stores and innumerable others. The intent, however, is to demonstrate that retailers, regardless of their wares or size, almost invariably are reporting an upsurge in business. It is noteworthy that of 26 companies checked out — represented in the mail order, variety, general merchandise, apparel

and men's wear fields — only two lagged behind their 1954 showing. One is S. H. Kress, which trails by a mere 0.4%, and another variety chain, McLellan Stores Corp., behind 0.8%.

Allied Stores Cited

For shareholders, by and large however, the upsurge is yet to come. If dividends have been on the ultra-conservative side, it must be remembered that the working-capital needs of the mercantiles have grown substantially. Allied Stores Corp., largest of the department-store chains, is a case in point. This company, in the last fiscal year, paid out in dividends to common and preferred owners 58% of net earnings. The remainder was kept for company use. Early this year, Allied sold 300,000 shares of its common at $52.25 a share to provide additional equity capital in the business for future needs. It is contemplated that substantial expenditures are ahead for fixtures, improvement of properties and the fixturing of and working capital for proposed stores under a vast expansion program.

The common stock of Allied Stores has been wedded for many years to a 75-cent quarterly dividend, although earnings the past three years have averaged out to $5.16 a common share. In the latest year, the common stock earned $5.50 a share and for the quarter ended April 30, 1955, it was at 50 cents, against 48 cents on the fewer shares outstanding in the year-earlier period. It is noteworthy that gross margins and operating expenses over the past five years have shown slight change. Gross margins over the period reached a low of 32% in 1951 and a high of 33.8% in the latest year. Operating expenses rose from a low of 27.2% in 1950 to 28.5% last year. The stock has been outstandingly strong of late, selling at a high of 63¾ compared with a 1955 low of 51¾. This issue must be ranked among the better department-store equities with prospects strong for more favorable divi- (*Please turn to page* 498)

Statistics on Merchandising Stocks

	1st Quarter						Full Year						
	Net Sales 1954 (Millions)	Net Sales 1955 (Millions)	Net Profit Margin 1954 %	Net Profit Margin 1955 %	Net Per Share 1954	Net Per Share 1955	Earned Per Share 1953	Earned Per Share 1954	Dividend Per Share 1954	Dividend Per Share Indicated 1955	Price Range 1954-1955	Recent Price	Indicated Div. Yield
ALLIED STORES W.C. (mil.) '53—$122.9 W.C. (mil.) '54—$130.5	$112.9[1]	$120.6[1]	1.1%	1.2%	$ .48[1]	$ .49[1]	$4.92	$5.50	$3.00	$3.00	63-37	62	4.8%
ASSOCIATED DRY GOODS W.C. (mil.) '53—$34.5 W.C. (mil.) '54—$32.0	35.0[1]	38.0[1]	2.1	2.1	.37[1]	.48[1]	3.10	3.06	1.60	1.60	33-18	33	4.9
BEST & CO. W.C. (mil.) '53—$13.4 W.C. (mil.) '54—$12.9	n.a.	n.a.	—	—	n.a.	n.a.	2.90	2.78	2.00	2.00	35-24	34	5.9
FEDERATED DEPT STRS. W.C. (mil.) '53—$91.5 W.C. (mil.) '54—$95.9	108.0[1]	113.4[1]	3.0	3.3	.87[1]	1.05[1]	3.74	5.25	2.50	2.75	67-38	67	4.1
GIMBEL BROS. W.C. (mil.) '53—$58.4 W.C. (mil.) '54—$66.6	n.a.	n.a.	—	—	n.a.	n.a.	2.35	2.34	1.00	1.00	28-13	27	3.7
GRANT, W. T. W.C. (mil.) '53—$44.5 W.C. (mil.) '54—$49.2	51.4[1]	56.8[1]	—	—	n.a.	n.a.	3.08	3.35	1.50	1.80	44-33	43	4.1
GREEN, H. L. W.C. (mil.) '53—$18.1 W.C. (mil.) '54—$18.4	23.2[1]	23.4[1]	1.4	1.2	.27	.25	3.10	2.82	2.25	2.25	34-28	32	7.0
KRESGE, S. S. W.C. (mil.) '53—$61.5 W.C. (mil.) '54—$54.8	63.5	64.1	—	—	n.a.	n.a.	2.40	2.24	1.80	1.60	34-28	29	5.5
KRESS, S. H. W.C. (mil.) '53—$34.8 W.C. (mil.) '54—$33.9	33.0	33.7	—	—	n.a.	n.a.	3.84	3.51	3.00	3.00	55-48	50	6.0
LANE BRYANT W.C. (mil.) '53—$ 8.2 W.C. (mil.) '54—$10.0	15.5[1]	16.3[1]	3.0	3.3	.66[1]	.75[1]	2.03	1.86	1.00[4]	1.00	17-14	16	6.2
MACY, R. H. W.C. (mil.) '53—$56.3 W.C. (mil.) '54—$58.7	79.1[2]	87.1[2]	.6	.7	.12[2]	.22[2]	2.20	2.14	1.60	1.60	33-20	33	4.9

W.C.—Working Capital.
n.a.—Not available.
1—Quarter ended April 30.
2—3rd fiscal quarter ended May 1.
3—4 months ended April 30.
4—Plus Stock.

Statistics on Merchandising Stocks (Continued)

	1st Quarter						Full Year						
	Net Sales 1954 (Millions)	Net Sales 1955 (Millions)	Net Profit Margin 1954 %	Net Profit Margin 1955 %	Net Per Share 1954	Net Per Share 1955	Earned Per Share 1953	Earned Per Share 1954	Dividend Per Share 1954	Dividend Per Share Indicated 1955	Price Range 1954-1955	Recent Price	Indicated Div. Yield
MARSHALL FIELD & CO. W.C. (mil.) '53—$69.1 W.C. (mil.) '54—$69.9	n.a.	$ 41.3[1]	—	2.3%	n.a.	$ .42[1]	$2.80	$3.01	$2.00	$2.00	37-24	36	5.5%
MAY DEPT. STORES .... W.C. (mil.) '53—$112.6 W.C. (mil.) '54—$104.5	$ 91.5[1]	99.5[1]	2.1%	2.2	$ .28[1]	.34[1]	2.62	2.68	1.80	1.80	38-28	36	5.0
McCRORY STORES .... W.C. (mil.) '53—$12.9 W.C. (mil.) '54—$13.4	20.2	20.5	—	—	n.a.	n.a.	1.50	1.25	1.05	1.05	16-12	15	7.0
McLELLAN STORES .... W.C. (mil.) '53—$8.6 W.C. (mil.) '54—$8.4	10.5[1]	10.3[1]	—	—	n.a.	n.a.	2.31	2.13	2.00	2.00	29-18	23	8.6
MONTGOMERY WARD .. W.C. (mil.) '53—$587.5 W.C. (mil.) '54—$607.9	189.4[1]	200.3[1]	2.5	2.5	.71[1]	.74[1]	6.12	5.20	3.50	4.75	85-56	80	5.9
MURPHY, G. C. .... W.C. (mil.) '53—$37.1 W.C. (mil.) '54—$39.9	33.0	34.0	—	—	n.a.	n.a.	3.54	3.28	2.00	2.00	47-39	44	4.5
NEISNER BROS. .... W.C. (mil.) '53—$7.5 W.C. (mil.) '54—$7.6	11.5	12.1	—	—	n.a.	n.a.	2.13	1.69	1.00	1.00	16-14	16	6.2
NEWBERRY, J. J. .... W.C. (mil.) '53—$30.5 W.C. (mil.) '54—$32.6	31.1	33.3	—	—	n.a.	n.a.	3.48	2.96	2.00	2.00	39-31	35	5.7
PENNEY, J. C. .... W.C. (mil.) '53—$166.8 W.C. (mil.) '54—$176.1	193.3	208.7	—	—	n.a.	n.a.	4.67	5.30	3.50	3.95	99-73	98	4.0
SEARS, ROEBUCK .... W.C. (mil.) '53—$790.3 W.C. (mil.) '54—$857.7	635.8[1]	720.8[1]	—	—	n.a.	n.a.	4.87	5.82	3.05	3.05	92-57	92	3.3
WOOLWORTH, F. W. .... W.C. (mil.) '53—$127.7 W.C. (mil.) '54—$141.3	199.8[3]	213.0[3]	—	—	n.a.	n.a.	3.07	2.78	2.50	2.50	54-40	49	5.1

W.C.—Working Capital.
n.a.—Not available.
1—Quarter ended April 30.
2—3rd fiscal quarter ended May 1.
3—4 months ended April 30.
4—Plus Stock.

Allied Stores: Leader in its field in sales and number of outlets. Good geographic distribution being bettered by sizable expansion program. Well-protected $3.00 dividend provides good yield. B[2]*

Associated Dry Goods: Stores feature fashion and higher-priced wares. Improved earnings this year presage maintenance of $1.60 dividend. C

Best & Co.: Stores feature quality and style in women's and children's apparel. High yield reflects risk inherent in specialty stores. Dividend cover is "thin." C

Federated Department Stores: Major stores long established and branches are in growing areas. Above-average record underscores management's ability. Rising profits trend points to a higher dividend, possibly this year. A[2]*

Gimbel Brothers: This major department store chain has a large stake in New York. This speculative issue has been marked by wide earnings fluctuations. Outlook for better earnings this year assures, at the least, maintenance of the present $1.00 dividend. C

Grant (W. T.): Third largest variety chain, selling lower-priced staple merchandise. Finances are strong and expansion sizable. Dividend was raised this year. Prospects are good for long-term growth. B[2]

Green (H. L.): Variety store chain includes junior department stores. Fair degree of earnings stability and moderate growth. Offers relatively high yield. C

Kresge (S. S.): Second largest variety chain, characterized by earnings stability. Expansion program is reflected in rising sales. Dividend, cut to 40 cents from 50 cents quarterly last year, should be adjusted upward in the near future. C

Kress (S. H.): Fourth largest variety-chain outfit, has increased number of outlets. Stability of profits lends assurance to maintenance of the $3.00 dividend. B

Lane Bryant: Specialty stores in highly competitive women's apparel field. Stock is speculative with resulting high yield. D

Macy (R. H.): Sales and earnings rising. Branch program is largest in its history. The $1.60 dividend may be boosted if the balance of the current fiscal year continues to show progress made in first nine months. B[1]*

Marshall Field: Disposal of cyclical textile subsidiary has made operations more stable. Expansion program has bettered outlook. The $2.00 dividend provides a good yield. C

May Department Stores: ~~Record in Industry~~ above average. Made good showing last year despite strike at Pittsburgh store. Sharp gains in sales and earnings recorded this year. This third largest department store chain has one of the best earnings and dividend records among principal retailers. B[2]*

McCrory Stores: Earnings have shown relative stability. Growth prospects fair. New and enlarged stores may help earnings picture. Dividends generous. D

McLellan Stores: A speculative issue among variety stores. Sales have been declining. Dividend cut in May to 40 cents from 50 cents quarterly. Earnings have dropped past few years. D

Montgomery Ward: Ultra-conservative post-war program has affected competitive position, but working-capital position is outstanding. Has reversed sales and profits downturn. Dividend outlook is clouded by changes in management and the prospect for renewal of the struggle for control of the company. B

Murphy (G. C.): Variety chain with record of growth, although decline in per-share earnings was sustained last year. Now running ahead of last year's showing. Offers fair dividend yield. C

Neisner Brothers: New and enlarged units aiding sales of this variety chain. Dividend coverage fair and yield is liberal. C

Newberry (J. J.): Has good record of growth in variety field. Expansion aiding volume and should correct dip in net sustained last year. Present $2.00 dividend should be maintained. B

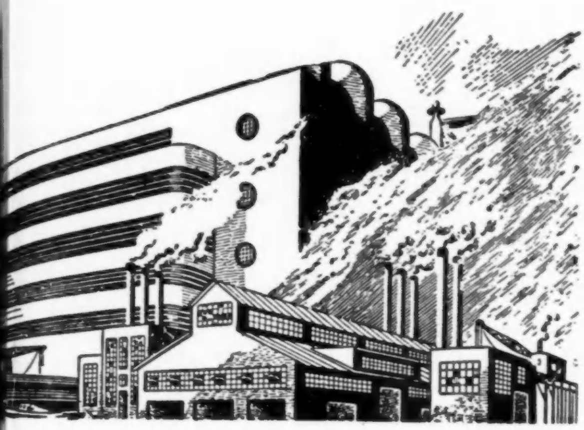
Penney (J. C.): New stores and enlargement of old outlets increasing sales and earnings. Growth prospects of this largest junior department store chain continue good. Dividend policy is liberal. A[2]*

Sears, Roebuck: Sales and earnings sharply ahead of last year. This largest of retail distributors has a record of almost uninterrupted growth. Assuming continuance of the substantial upturn in business, a higher dividend is likely over the near term. A[2]*

Woolworth (F. W.): Largest of the variety stores, it has undertaken a major building program. Trend to self-service stores should help the profits situation. Improved earnings may be looked for this year, but there is little likelihood of a dividend increase. B

RATING: A—High-grade Investment Quality. B—Good-grade. C—Speculative but improving. D—Unattractive.

1—Better-than-average market potentials; 2—For long-term growth.
***—Most attractive of group at present prices.**



Five Leaders in Scientific Achievement

By OUR STAFF

In recent years there has developed among investors a greater concentration of study, probably more so than in any previous period, of growth companies in expanding industries.

Much of the thinking along these lines has been generated by repeated statements pertaining to an increasing population, broadening markets, and new product development from long-known basic materials. Impetus has been given to this thought trend by the dynamism that has marked the growth of American industry in the postwar years, and the unfoldment of what may well be termed the scientific miracles wrought in entirely new fields as a result of intensified research in metallgury, atomic energy, electronics and chemicals.

It would be difficult to say which of these new developments will register the fastest growth. We have already seen the rapidity with which the manufacture of polyethylene as reached the stature of a distinct industry; electronic systems and equipment, still in their infancy, already have a bearing on almost every phase of human activity. The use of nuclear energy for generating electricity is destined to increase with greater speed, as is also its use for aircraft and ship propulsion. Magnesium, the lightweight metal with great structural strength, is being used in alloy form in increasing quantity.

It is reasonable to believe that those companies which are among the leaders in these respective fields should be carefully studied for their growth potentials. Outstanding, in this respect, are the five companies which we have selected and on each of which we present herewith brief analyses, together with pertinent statistical data, for our readers' attention, these issues being, in our opinion, attractive purchases at current levels as long-range investments.

BURROUGHS CORPORATION

BUSINESS: Long prominent in the office equipment industry in which it has achieved an outstanding position as a manufacturer of adding, calculating and other types of business machines, Burroughs, in the postwar years, has developed a strong position in magnetics, electromechanics, and electronics in which it appears to have exceptional possibilities for rapid growth.

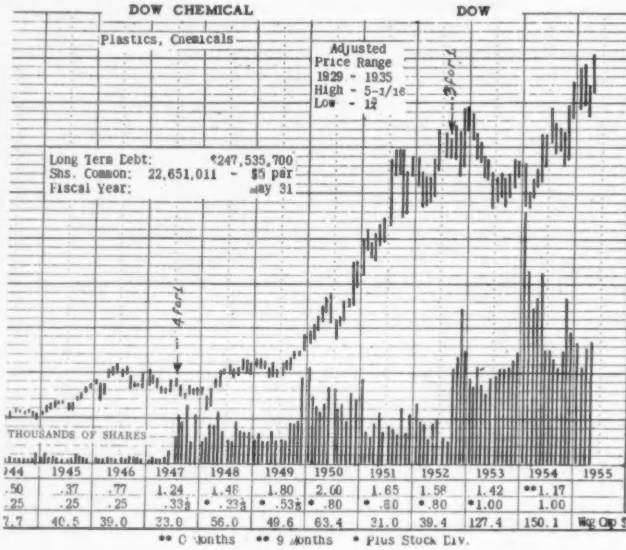
OUTLOOK: This outlook is supported, in a measure, by Burroughs' four-year record to the end of 1954, in which in each consecutive year the company and its subsidiaries, doing a world-wide business, established new record highs in total revenue, that for 1954 reaching $169 million, compared with $160.4 million in 1953, and $149.5 million in 1952. Last year, net profits from U. S., and Canada operations, and including only profits of foreign subsidiaries as represented by dividends actually received, amounted to $1.52 a share of common, its only outstanding capital stock. More significantly, 1954 was marked by continued diversification and strengthening of product lines. Among developments during the year were Burroughs' entry into the field of punched card equipment with the introduction of a new high-speed printing and accounting machine, and the release of the first of a new series of electronic computers. This latter development represents but one phase of its operations in electronics and related fields wherein it is doing highly specialized work for the government, both in research and production, at the same time carrying on several extensive long-range projects, including the development of general- and special-purpose computers for data-handling systems. Looking forward to still more rapid technological progress and the employment of electronics and related sciences in many fields, Burroughs has steadily stepped-up research and product development activities. It has further expanded and added strength to its position by acquiring sources of supply for cathode ray tubes and other precision components for the electronics industry.

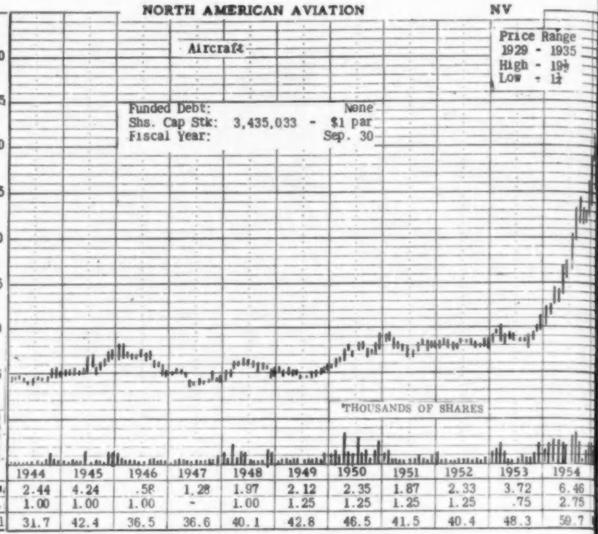
DIVIDENDS: Burroughs has an unbroken dividend record extending over 51 years. Its current rate of payment is $1.00 a share annually.

MARKET ACTION: Recent price of 33 compares with a 1954-55 price range of High—33½, Low—15¼. At current price, the yield is 3.0%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1944	1954 (000 omitted)	Change
ASSETS			
Cash & Marketable Secur.	$ 21,478	$ 13,592	—$ 7,886
Receivables, Net	2,327	29,686	+ 27,359
Inventories	6,629	49,917	+ 43,288
Other Current Assets	658	365	— 293
TOTAL CURRENT ASSETS	31,092	93,560	+ 62,468
Net Property	7,976	30,972	+ 22,996
Investments	1,023	9,834	+ 8,811
Other Assets	2,986	3,717	+ 731
TOTAL ASSETS	$ 43,077	$138,803	+$ 95,006
LIABILITIES			
Loan & Accts. Payable	$ 836	$ 5,670	+$ 4,834
Accruals	3,153	21,171	+ 18,018
Tax Reserve	1,686	8,331	+ 6,645
TOTAL CURRENT LIABILITIES	5,675	35,172	+ 29,497
Other Liabilities	3,017	....	— 3,017
Reserves	1,400	....	— 1,400
Long Term Debt	....	28,500	+ 28,500
Common Stock	25,000	25,062	+ 062
Surplus	7,985	49,349	+ 41,364
TOTAL LIABILITIES	$ 43,077	$138,083	+$ 95,006
WORKING CAPITAL	$ 25,417	$ 58,388	+$ 32,971
CURRENT RATIO	5.5	2.6	— 2.9





THE DOW CHEMICAL COMPANY

BUSINESS: In addition to its foremost position in the chemical industry and one of the leading producers of plastics and related products, Dow is also the largest producer of magnesium, the light-weight metal.

OUTLOOK: Considering Dow Chemical's broad and diversified production of chemicals for pharmaceuticals, industry and agriculture, and its expanding operations in plastics, with growth in these two divisions being accelerated by intensive research developing new products, it appears obvious that chemicals and plastics represent fields of the great potentials. To this outlook, however, must be added the growth possibilities of Dow's magnesium operations which accounted for 11% of total sales revenue in the 1954 fiscal year, a transition period when production was hampered by moving equipment to and readying a new $40 million magnesium mill and wrought products plant for operation. Included in the mill equipment is a new rolling mill for mass-production of magnesium sheet as well as other facilities for the production of new sheet and plate products to meet the growing demand for magnesium in the materials handling and transportation field, its increasing use for titanium production and other metallurgical uses. Its expansion in magnesium operation is only part of the growth program which Dow has carried out since 1946, involving investments of close to $600 million in capital facilities. About half this sum was spent under certificates of necessity, resulting in write-offs for depreciation and amortization, totaling $64.4 million in fiscal 1954, and approximately $75 million in fiscal 1955. These charges, while distorting common share earnings — net for the year ended last May 31, being about $1.50 a share against $1.42 a year earlier — have resulted in a substantial cash flow.

DIVIDENDS: Cash payments are being made at an annual rate of $1.00 a share. This is more or less a token payment and unimportant when weighed against potential market gain for this growth issue.

MARKET ACTION: Recent price of 58, compares with a 1954-55 price range of High—58⅞, Low—33⅝. At current price, the yield is 1.7%.

COMPARATIVE BALANCE SHEET ITEMS
May 31
(000 omitted)

ASSETS	1944	1954	Change
Cash	$ 14,120	$ 26,900	+$ 12,780
Marketable Securities	16,884	103,287	+ 86,403
Receivables, Net	13,126	59,902	+ 46,776
Inventories & Supplies	16,642	82,716	+ 66,074
TOTAL CURRENT ASSETS	60,772	272,805	+ 212,033
Net Property	72,130	418,452	+ 346,322
Investments	4,132	6,717	+ 2,585
Intangibles	072	526	+ 454
Other Assets	2,510	6,304	+ 3,794
TOTAL ASSETS	$139,616	$704,804	+$565,188
LIABILITIES			
Notes Payable—Banks	$	$ 50,000	+$ 50,000
Accounts Payable	5,328	17,199	+ 11,871
Tax Reserve	15,387	29,498	+ 14,111
Curr. Debt Matur.	750	1,619	+ 869
Accruals	1,592	24,386	+ 22,794
TOTAL CURRENT LIABILITIES	23,057	122,702	+ 99,645
Reserves	1,808	....	— 1,808
Minority Interest	1,270	1,208	— 062
Long Term Debt	12,000	247,536	+ 235,536
Preferred Stock	30,387	30,387	....
Common Stock	37,294	113,255	+ 75,961
Surplus	33,800	189,716	+ 155,916
TOTAL LIABILITIES	$139,616	$704,804	+$565,188
WORKING CAPITAL	$ 37,715	$150,103	+$112,388
CURRENT RATIO	2.6	2.2	— .4

NORTH AMERICAN AVIATION, INC.

BUSINESS: Outstanding in the aircraft industry as a builder of jet fighter and other types of planes for the Navy and the Air Force, North American is also engaged in the production of missiles and electronic equipment and rocket propulsion systems. It also ranks as one of the leaders in atomic energy research, pioneering in low power research reactors and now under contract with the AEC to design and construct a $10 million reactor on which work has already begun.

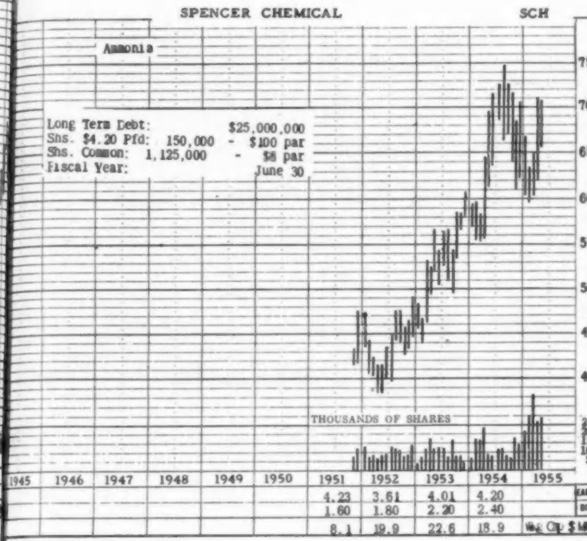
OUTLOOK: As a producer of F-86 series of Sabre jet fighter, interceptor and fighter bomber planes and other types of aircraft for which it had as of March 31, this year, an order backlog in excess of **$1 billion** 66 million, included in which were missile contracts, North American Aviation is regarded primarily as one of the foremost companies in the aircraft industry. In this respect its status is substantiated by production volume which when translated into net sales for 1954 amounted to $645.8 million, compared with $634.6 million in the previous year, and which for the fiscal year ending next September 30, will probably increase to more than $700 million. This outlook is based on sales and income from royalties, license fees, etc., for the six months to March 31st, last, of approximately $356 million from which it derived net income for the first half-year equal to $4.24 a share, presaging earnings of approximately $8.00 a share for the full 1955 fiscal year, as compared with $6.46 last year, and $3.72 in the year before that. At the present time, its order backlog, at current rate of production, is sufficient to carry the company well into 1957. What volume of additional orders are placed on its books depends, of course, on defense requirements. However, in weighing North American's position beyond that time consideration must be given to the company's importance, achieved by intensive research and development work, in guided missiles, electronics, and atomic energy. Its growth in the latter field is already under way.

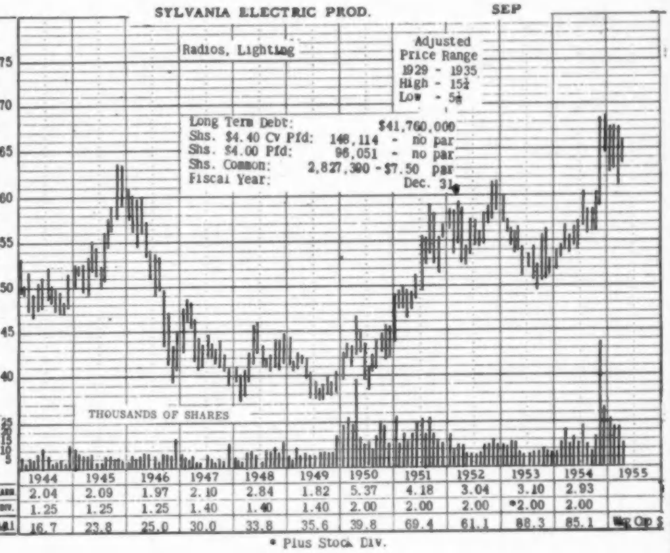
DIVIDENDS: Current rate of $3.00 annually is likely to be increased or augmented by a year-end extra.

MARKET ACTION: Recent price of 58 compares with a 1954-55 price range of High—63⅛, Low—20. At current price, the yield on regular dividend is 5.1%.

COMPARATIVE BALANCE SHEET ITEMS
September 30
(000 omitted)

ASSETS	1944	1954	Change
Cash & Marketable Secur.	$ 78,023	$ 38,484	—$ 39,539
Receivables, Net	56,154	61,441	+ 5,287
Inventories	59,593	114,509	+ 54,716
Other Current Assets	....	2,736	+ 2,736
TOTAL CURRENT ASSETS	193,770	217,170	+ 23,400
Net Property	1,638	18,038	+ 16,400
Investments	036	....	— 036
Other Assets	8,297	....	— 8,297
TOTAL ASSETS	$203,741	$235,208	+$ 31,467
LIABILITIES			
Notes Payable	$ 30,000	$ 26,500	—$ 3,500
Accounts Payable & Accr.	30,302	47,560	+ 17,258
Taxes & Amts. due U. S. Gov.	86,119	80,777	— 5,342
Other Accruals	15,615	2,576	— 13,039
TOTAL CURRENT LIABILITIES	162,036	157,413	— 4,623
Reserves	14,451	....	— 14,451
Capital Stock	3,435	3,435	....
Surplus	23,819	74,360	+ 50,541
TOTAL LIABILITIES	$203,741	$235,208	+$ 31,467
WORKING CAPITAL	$ 31,734	$ 59,757	+$ 28,023
CURRENT RATIO	1.2	1.3	+ .1





SPENCER CHEMICAL COMPANY

BUSINESS: Spencer Chemical, a major producer of fertilizer grade ammonium nitrate as well as anhydrous ammonia, methanol and other petrochemicals from natural gas for industry and agriculture, has established a postwar record of rapid growth.

OUTLOOK: Within the eight years from 1947 to fiscal 1954, ended June 30, Spencer Chemical's record has been one of increasing financial strength and, except for fiscal 1948, steadily expanding sales and net income. Within this period, total assets have grown from $7.8 million as of June 30, 1947, to $68.2 million at the end of June, 1954, and net working capital has increased from $2.8 million to approximately $19 million. Another measure of growth is the expansion in property, plant and equipment, after accumulated depreciation and amortization, from $1.1 million to in excess of $38 million at mid-1954, against which its net equity capital has expanded from $4.4 million to $32.8 million, before conversion late last year of the outstanding $2.25 preferred stock. Net sales for fiscal 1954 at a record high of $34.1 million represent a five-year gain of about $15 million and were 2.7 times those in fiscal 1947, with earnings rising from $2.79 a share for the latter period to $4.53 a share on the average number of shares outstanding in 1954. Net sales for the fiscal year ended June 30, 1955, are likely to establish a new record high, sales volume for the first 9 months totaling $26.5 million, or almost $2 million ahead of the like period of the preceding year, although net income for the common stock is not expected to go much above $3.50 a share, due largely to pre-production and starting-up expenses in connection with the new polyethylene plant which went into production only last February, the potentials of which, together with the rapid growth of Spencer's other operations, make its shares outstandingly attractive over the long range.

DIVIDENDS: Payments, inaugurated in 1950, have been maintained in every year since, and increased in 1954 to $2.40 annually, the present rate.

MARKET ACTION: Recent price of 65, compare with a 1954-55 price range of High—74⅞, Low—55¼. At current price, the yield is 3.2%.

COMPARATIVE BALANCE SHEET ITEMS

ASSETS	June 30 1949	(000 omitted) 1954	Change
Cash & Marketable Secur.	$ 6,325	$ 25,012	+$ 18,687
Receivables, Net	870	2,283	+ 1,413
Inventories	979	1,874	+ 895
TOTAL CURRENT ASSETS	8,174	29,169	+ 20,995
Net Property	13,485	38,095	+ 24,610
Invest. & Adv. Sub.	625	....	− 625
Other Assets	1,147	991	− 156
TOTAL ASSETS	$ 23,431	$ 68,255	+$ 44,824
LIABILITIES			
Accounts Payable	$ 475	$ 2,630	+$ 2,155
Accruals	1,518	913	− 605
Tax Reserve	2,312	6,642	+ 4,330
TOTAL CURRENT LIABILITIES	4,305	10,185	+ 5,880
Other Liabilities	....	242	+ 242
Reserves	112	....	− 112
Long Term Debt	9,684	25,000	+ 15,316
Preferred Stock	1,500	7,746	+ 6,246
Common Stock	1,600	6,749	+ 5,149
Surplus	6,230	18,333	+ 12,103
TOTAL LIABILITIES	$ 23,431	$ 68,255	+$ 44,824
WORKING CAPITAL	$ 3,869	$ 18,984	+$ 15,115
CURRENT RATIO	1.9	2.8	+ .9

SYLVANIA ELECTRIC PRODUCTS, INC.

BUSINESS: Sylvania, a leading manufacturer of electronic systems, equipment and parts, and with broad product diversification in other fields, including tungsten and chemical products, is also the outstanding company in atomic fuels and components.

OUTLOOK: In any study of Sylvania Electric Products, the investor is most likely to find his attention being drawn to the company's prominent status in the fast-growing electrical-electronics industry, a $16 billion business in 1954 that will, it is estimated, expand in the next 10 years to $30 billion. This may prove to be a conservative calculation considering the anticipated increasing demand for military electronics and accelerated progress in the application of electronics to commerce and industry. Sylvania, keeping to its policy of broadening research and engineering to new fields, has developed new and improved processes and products and expanded plant capacities to take advantage of broadening markets. Sales, last year, amounting to $281.6 million, although under 1953 record high of $293.2 million, were still more than four times those of 1946, the first full peace-year. Net earnings for the common stock in 1954 were equal to $2.92 a share. This compares with $3.10 in 1953, and $3.04 in 1952. A substantial gain in both sales and net earnings is indicated for 1955, based on first quarter net sales of $73.9 million, or $9 million more than in the 1954 first quarter, with earnings for the common stock equal to $1.03 a share, compared with 67 cents a year ago. The favorable outlook for Sylvania in electrical-electronics field is enhanced by its outstanding position in the atomic energy field. Although much of its work in this connection is classified, the company, under with contract with the AEC is an important processor of atomic fuel, and developer of metals used to build and control reactors. Its investment in this field runs into millions of dollars and it is prepared to make additional commitments in atomic energy activities that eventually could dwarf its present volume of business.

DIVIDENDS: Has maintained payments in each of the last 24 years. Present rate of distribution is $2.00 a share annually.

MARKET ACTION: Recent price of 48, compares with a 1954-55 price range of High—49⅞, Low—31⅞. At current price, the yield is 4.1%.

COMPARATIVE BALANCE SHEET ITEMS

ASSETS	December 31 1944	1954 (000 omitted)	Change
Cash & Marketable Sec.	$ 18,664	$ 7,555	−$ 11,109
Receivables, Net	15,183	54,462	+ 39,279
Inventories	12,378	59,791	+ 47,413
Other Current Assets	1,391	2,490	+ 1,099
TOTAL CURRENT ASSETS	47,616	124,298	+ 76,682
Net Property	4,943	62,998	+ 58,055
Invest. & Misc. Assets	202	3,187	+ 2,985
Other Assets	2,751	896	− 1,855
TOTAL ASSETS	$ 55,512	$191,379	+$135,867
LIABILITIES			
Notes & Accts. Payable	$ 23,420	$ 10,690	−$ 12,730
Accruals	2,060	16,249	+ 14,189
Tax Reserve	5,377	12,223	+ 6,846
TOTAL CURRENT LIABILITIES	30,857	39,162	+ 8,305
Reserves	1,515	....	− 1,515
Funded Debt	3,770	41,760	+ 37,990
Preferred Stock	....	24,165	+ 24,165
Common Stock	7,537	21,205	+ 13,668
Surplus	11,833	65,087	+ 53,254
TOTAL LIABILITIES	$ 55,512	$191,379	+$135,867
WORKING CAPITAL	$ 16,759	$ 85,136	+$ 68,377
CURRENT RATIO	1.5	3.1	+ 1.6

FOR PROFIT AND INCOME

Strong Groups

Among the stock groups reflecting exceptionally strong demand in recent trading sessions up to this writing are the following: air lines, automobiles (not including issues of the smaller companies); auto parts, building materials, coppers, chemicals, electrical equipments, distillers, dairy products, farm equipment, machine tools, metal fabricators, office equipments, department stores, mail order stocks, oils, soft drinks, shoes, paper, railroad equipment, rayon, motion pictures, steel and tires.

Soft

Groups currently under moderate pressure are principally aircrafts, aluminum, finance companies, gold mining, radio-television, shipbuilding and shipping. This probably reflects normal profit taking after spectacular prior advance in the case of aluminum, after above-average prior 1955 advance in the case of radio-television stocks and shipbuilding, and after recent moderate further rise to a new bull-market high by the finance-stock group.

Score Card

In net rise since the end of last year, the following stock groups have outgained the general list by substantial-to-large margins: air lines, aluminum, building materials, chemicals, copper, office equipments, paper, radio-television, shipbuilding, steel, sugars and tires. On the same comparison, groups which have lagged behind the market (or lost ground in a few instances) are: aircrafts (correction of major 1953-1954 rise), distillers, meat packing, machine tools, oils, motion pictures, rail equipments, food brands and tobaccos. The latter two are normally slow-moving anyway, and cigarette issues remain under the handicap of the smoking-lung-cancer furore resulting from continuing medical reports.

Machine Tools

Machine tool makers had high 1954 earnings, reflecting lapse of EPT and fairly good shipments from order backlogs, including defense business, built up earlier. New orders reached their peak, spurred by defense needs, in 1951, with backlog at one time equal to nearly a two-year production rate. Orders trended generally down into late 1954, subsequently rising irregularly and moderately to May, when they jumped to the best level in 21 months, reflecting the upward trend in outlays for new plant and equipment. Shipments held at a satisfactory rate through the first quarter of 1954, progressively shrinking thereafter to a low point in January of this year. They have made a poor average showing for the first half, but will make a better showing in the second half and the forepart of 1956, on the basis of the present indicated order trend. Full-year earnings will be down moderately in some cases, sharply in others. The stocks are behind the market and showing some current tendency to "perk up", with the order trend the key consideration.

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1955	1954
Texas Utilities Co.	3 mos. Apr. 30	$ .83	$ .75
General Telephone	4 mos. Apr. 30	1.13	.84
Macy (R. H.) & Co.	13 weeks Apr. 30	.22	.12
Case (J. I.) Co.	Quar. Apr. 30	.82	.30
Marathon Corp.	6 mos. Apr. 30	1.10	.78
Smith (A. O.) Corp.	Quar. Apr. 30	2.01	1.54
Deere & Co.	6 mos. Apr. 30	2.11	1.20
Firestone Tire & Rubber	6 mos. Apr. 30	2.76	2.26
Addressograph-Multigraph	9 mos. Apr. 30	5.80	4.34
Federated Dept. Stores	Quar. Apr. 30	1.05	.87

Special Situations

In this general field are some interesting special situations. One is Ex-Cell-O, maker of precision aircraft parts, specialized machine tools and Pure-Pak machines leased to dairy companies. The latter is a stable and growing source of revenue. Earnings this year probably will be only moderately under 1954's record $5.20 a share. Dividends are on a well-protected $2 basis. The stock is reasonably priced at 47½, against earlier 1955 high of 53⅜. Two machine makers getting benefit from the construction boom and which will be aided by sharply increased road building in nearby years are Ingersoll-Rand and Chicago Pneumatic Tool. Their 1954 earnings were $3.80 a share and $4.78 a share, respectively. Ingersoll is the leader in its field, with a continuous dividend record since 1910. Finances are uncommonly strong and liquid. Earnings probably will gain this year. Dividends ($2 regular rate) should not be less than last year's $2.50 total. At 54, the stock is not greatly under 1954 high of 57½. Chicago Pneumatic Tool is also likely to have higher profit this year than last. Resumed in 1941 after an extended lapse, dividends are $1.50 regular, but should equal the $2 totals paid in each of the last three years. At 43½, the stock is down nearly 10 points from early-1955 high of 53¼.

Oils

On a medium-term viewpoint, oil stocks are far from cheap in relation to earnings and dividends. Earnings are likely to be moderately higher than last year's, and at record levels for a number of leading companies, including especially the big international concerns able to benefit from importing cheap foreign crude oil from owned sources of supply. This has been the general expectation for some time. Therefore, it can only partly account for the group's recent rise to a new all-time high. Probably the main consideration is that, after lagging for several months while the market advanced, these stocks were made relatively more attractive, thus inviting accelerated buying. Potentials for further rise on the current leg of the bull market are probably more moderate than dynamic.

Preferred Stocks

In general, preferred stocks show more firmness than the bond market. This reflects relatively light new preferred-stock financing, as compared with new bond financing, and the increased relative attraction of preferred stock yields for conservative institutional and individual income-fund investment as a result of progressive shrinkage in common stock yields effected by major market advance. On average, yield of representative industrial equities is now slightly under that of preferred stocks, with the latter at about 4%. At the stock market's low point in mid-1949, industrial common stocks yielded about 80% more than preferred stocks; and at the September, 1953, low the spread was about 47% in favor of common stocks. The radical change is one indication of increasing tendencies toward over-valuation of common stocks, and another is the fact that the spread of industrial stock yields over high-grade bond yield has been pared to a mere 25%, narrowest in a great many years. If not too greatly discounted by further market advance this summer, the expected further rise in dividends could keep the market from getting too far out on the limb. Nevertheless, where income return is the primary consideration, the case for buying preferred stocks (or bonds) is stronger than that for buying equities. Some good-quality preferred stocks yielding around or over 4% are: Beatrice Foods $4.50, National Gypsum $4.50, Tide Water Associated Oil $1.20, Florida Power $4, Pacific Gas & Electric $1.50, and Wisconsin Electric Power $3.60.

Strong Stocks

It would be over-simplification to say that this is an investment-based market or that it is a speculative market. It is both. But, in the main, the speculation is selective, not undiscriminating. The "cats and dogs" continue to lag. No exception can be taken to the quality of the upside leadership. Many prominent stocks have recently pushed ahead to new highs, including General Motors, du Pont, Atchison, General Electric, Caterpillar Tractor, Pittsburgh Plate Glass, Standard Oil (New Jersey), U. S. Steel, American Viscose, Standard Oil of Indiana, Gulf Oil, Scott Paper, Minneapolis-Honeywell, National Lead and Sears, Roebuck.

Secondaries

Some medium-grade or speculative issues recently in good demand include Aldens, Beaunit Mills, Deere, Eastern Air Lines, Filtrol, Food Machinery, Hecht Company, Joy Manufacturing, Loew's, Mercantile Stores, Northern Pacific, Pepsi-Cola, Rayonier, Penn-Dixie Cement, Revere Copper & Brass, Butler Brothers, Chain Belt, Celotex, Food Machinery, Mohawk Carpet, General Tire, U. S. Rubber, Associated Dry Goods, Stauffer Chemical and St. Louis-San Francisco Railway.

Two-Way

But it remains a two-way market. Demonstrating that, a small minority of stocks have sagged in recent sessions to new lows for this year or longer. Examples are Admiral Corp., McLellan Stores, American Water Works, Bon Ami B, Ward Baking, Garrett, Gotham Hosiery, National Linen, Third Avenue Transit, American Hide & Leather, Fedders-Quigan, American Stores, Houdaille-Hershey and Ruppert.

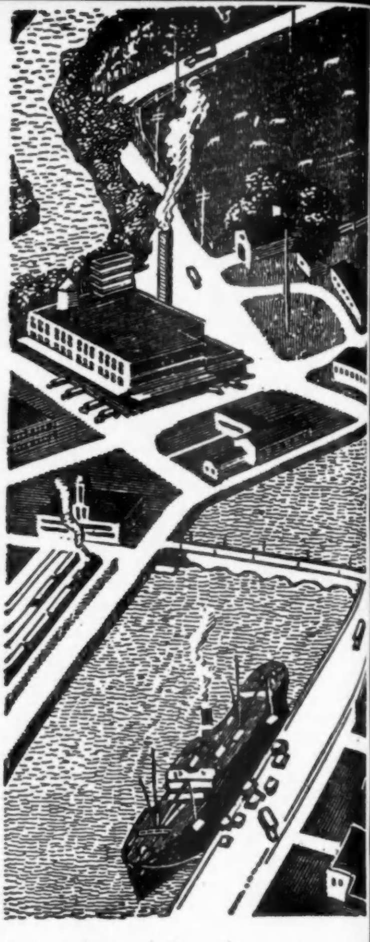
DECREASES SHOWN IN RECENT EARNINGS REPORTS

		1955	1954
Distillers Corp.-Seagrams	9 mos. Apr. 30	$2.72	$3.18
McGraw Electric Co.	Quar. Mar. 31	1.05	1.28
Bangor & Aroostook R. R.	4 mos. Apr. 30	2.16	4.74
American Cable & Radio	Quar. Mar. 31	.06	.13
Carrier Corp.	6 mos. Apr. 30	2.09	2.26
Divco Corp.	6 mos. Apr. 30	.34	.46
Spencer Kellogg & Sons	36 weeks May 7	.09	1.49
Southern Natural Gas	Quar. Mar. 31	.41	.50
Traux-Traer Coal Co.	Year April 30	1.71	1.95
American Stores Co.	52 weeks Apr. 2	4.86	5.45

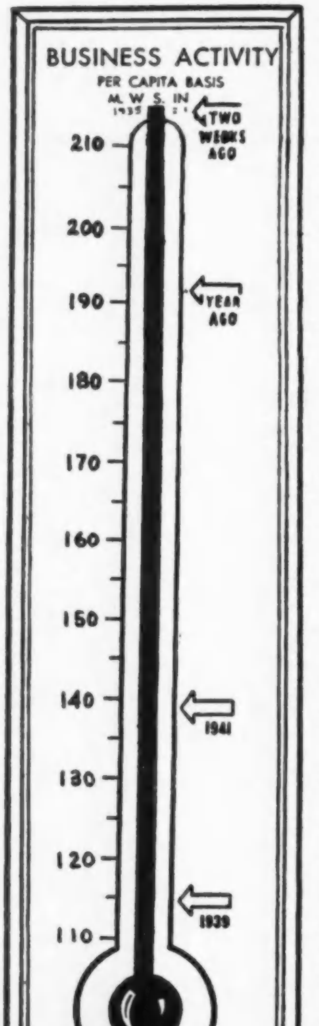
The Business Analyst

WHAT'S AHEAD FOR BUSINESS?

By E. K. A.



In the decade since World War II this nation has known two periods of recession. Business inventories were an important factor in those times of economic instability. In the light of what happened from 1948 to 1950 and again last year, it is only natural that business people should wonder whether inventory investment has been largely stabilized, or whether a period of rapid accumulation is in prospect.



Total inventories (seasonally adjusted) increased in April, due principally to a rise in retail stocks. At $22.8 billion, the figure marked the sixth successive month in which these retail inventories have risen from the low point of $22 billion in October, which was the nadir for 1954. Retail sales in May continued at a record level, and inventories here hardly can be described as onerous. Incidentally, the $22.8 billion figure for inventories, reached this April is identical with the high point of May, 1954, when business was at a substantially lower level in the stores.

Book value of manufacturing and trade inventories by April was estimated at $77.7 billion, also the sixth successive month of advance and the highest level reached since June of 1954. Sales of all goods likewise rose for a six straight month, reaching $51.1 billion, as a result of an increase in sales by manufacturers and retailers. New orders received by manufacturers in April were down to $25.9 billion from the peak of $26.5 reached a month earlier, a moderate decline after a five-month climb and comparing with a new-order total of $22.3 billion in April of last year.

Inventories were being liquidated during 1954, with the peak rate of reduction occurring in the third quarter when stocks were falling at a $5 billion annual rate. It is significant that in the final quarter, when business began to improve, inventory reduction was slackening to an annual rate of $1.6 billion. Thus, goods which previously had been supplied from wares on hand were being obtained through an expansion of new production.

Inventory-based expansion accounted for half of the net increase in gross national product in the latter part of 1954. Rate of business inventory adjustment continued to shift during the first three months of this year to the extent that inventory liquidation was completely halted.

While there has been a marked increase in the confidence of business people, an inventory boom of the 1950 proportions does not seem to be in the offing, although the upturn that began last fall points to rising investment in inventories. It is accepted that the principal factor influencing inventory investment, in times of peace and stability, is the trend of sales. In the postwar decade, aggregate business inventories have followed fairly closely the movements of total business sales, after a delay of several months. This lag would appear to be related to the time it takes a given change in the sales picture to be recognized by a company and then to be translated through orders and production into physical changes in stocks on hand.

A factor that might differentiate the current business recovery from its recent predecessors is the unusual concentration of the upturn within a relatively few industries. Motor vehicle and equipment industries alone accounted for one-half of the aggregate increase in total business sales (seasonally adjusted) between last August and January of this year. Steel, rubber and other industries closely related to automotive accounted for a large part of the balance.

An important element of strength now is that, with the exception of dealer stocks of cars, inventories, in general, have yet to show a notable rise. Broadly speaking, current output, now at record level, is being bought by the consumer.

HIGHLIGHTS

MONEY & CREDIT—Investment interest in recent weeks has been focussed on the approaching large-scale Treasury financing which will involve sizeable new-money borrowing as well as the refunding of \$8.48 billion of debt which falls due on August 15. Although the Treasury will resort to short-term loans for a great part of its monetary needs, the financial community is nevertheless worried by the rumored possibility of a long-term flotation, an eventuality that would put a strain on the existing supply of funds. Meanwhile, the Treasury has taken the first step in the money-raising field, by increasing its weekly offerings of 91-day bills by \$100 million, which will be that much net gain to its coffers. Borrowing of this size, however, cannot go very far in covering its needs for the second half, estimated at close to \$10 billion, and more sizeable requisitions on the nation's loanable funds are in the works.

Investors in fixed income securities have suddenly realized that the large demand for loans which looms ahead, coupled with booming business, is not the most salubrious atmosphere for a strong bond market. As a result, sellers have come to the fore in the last half of June, with long-term Treasuries bearing the brunt of the liquidation. The 40-year 3s of 1995 lost 1 1/32 in the two weeks ending June 27, the 3¼s of 1983-1978 were down 1¼ and the Victory 2½s of 1972-1967 were off ⅞s of a point. Among corporate obligations pressure was much less marked, with yields on best-grade debt only about 1 basis point higher. However, the relative resistance to decline in this sector was more a reflection of a lack of selling pressure rather than any large scale demand, while the small volume of nearby new issues helped to stabilize the list. Among tax-exempts the story was rather different as borrowers queued up for funds and the 30 day visible supply of coming new issues rose to \$477 million, almost double the amount actually sold in the month of May. In this sector, inventories in dealers' hands have mounted to their highest point since January. New flotations are getting a mixed reception, with many recent underwriting syndicates finding their issues dropping to sizeable discounts as soon as the selling group is dissolved. All this has resulted in lower prices for seasoned bonds, a trend, some bond men say, that may well continue until late this Summer.

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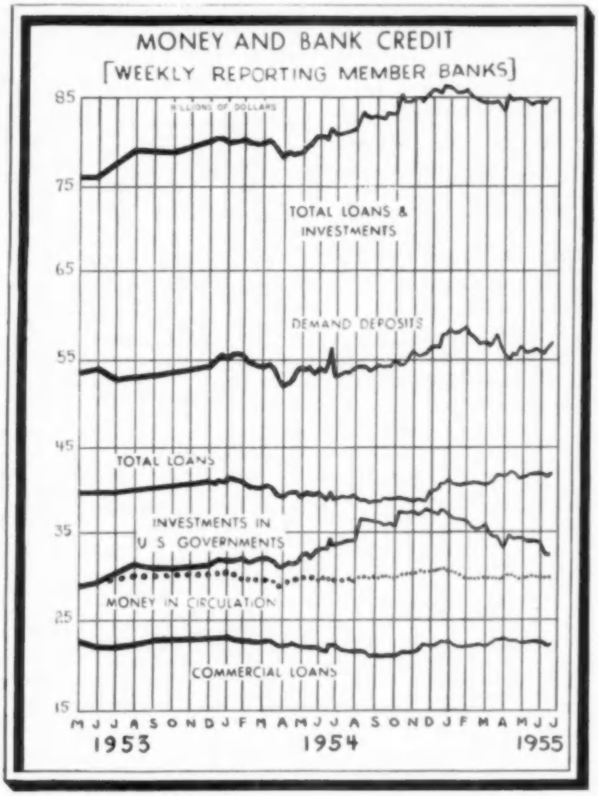
TRADE—Retailers have had few reasons for complaint during June with sales staying close to recent highs. In the week ending Wednesday, June 22, total dollar volume rose moderately as retailers launched aggressive promotion campaigns designed to improve the usually slow Summer season. Father's Day buying was also a factor in the strong showing. Dun & Bradstreet estimates that total sales throughout the nation were about 4% ahead of the corresponding 1954 period, with the Southwest making the best gain, one of 6%. Apparel was in



strong demand while home furnishings moved more quickly. Sales of new and used cars were under recent levels although far above a year ago.

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INDUSTRY—Manufacturers report that the rate of gain for business slowed up a bit in June, according to the regular monthly survey by the National Association of Purchasing Agents. Although output and new orders appear to be higher in June, the pace of the advance is somewhat under that attained in May. Inventories are stable and prices of industrial materials, where changed, are mostly on the plus side.

Meanwhile, the Federal Reserve Board's seasonally adjusted production index rose two points in May, to 138% of the 1947-1949 average. This is a new high, one point above the previous top set in 1953. Best output gains during the month were chalked up by producers of such durables as primary metals and furniture. Output of most nondurables was moderately higher although petroleum lagged and processed food output was unchanged. (Please turn to following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	Apr.	3.2	3.5	3.6	1.6
Cumulative from mid-1940	Apr.	586.7	583.5	544.4	13.8
FEDERAL GROSS DEBT—$b	June 21	275.4	277.5	271.2	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	June 15	57.7	56.4	56.2	26.1
Currency in Circulation	June 22	30.0	30.1	29.7	10.7
BANK DEBITS—(rb)**					
New York City—$b	May	63.4	57.6	60.7	16.1
344 Other Centers—$b	May	107.7	102.7	92.1	29.0
PERSONAL INCOME—$b (cd2)	Apr.	295.6	294.6	284.4	102
Salaries and Wages	Apr.	202	202	194	99
Proprietors' Incomes	Apr.	50	50	48	23
Interest and Dividends	Apr.	25	25	24	10
Transfer Payments	Apr.	17	17	16	10
(INCOME FROM AGRICULTURE)	Apr.	16	16	15	3
POPULATION—m (e) (cb)	May	164.8	164.6	162.0	133.8
Non-Institutional, Age 14 & Over	May	117.2	117.1	116.1	101.8
Civilian Labor Force	May	65.2	64.6	64.4	55.6
Armed Forces	May	3.1	3.1	3.4	1.6
unemployed	May	2.5	3.0	3.3	3.8
Employed	May	62.7	61.7	61.1	51.8
In Agriculture	May	7.0	6.2	6.8	8.0
Non-Farm	May	55.7	55.5	54.3	43.2
Weekly Hours	May	41.9	41.2	41.6	42.0
EMPLOYEES, Non-Farm—m (lb)	May	48.9	48.6	47.9	37.5
Government	May	6.9	6.9	6.7	4.8
Trade	May	10.5	10.5	10.4	7.9
Factory	May	12.9	12.8	12.4	11.7
Weekly Hours	May	40.7	40.2	39.3	40.4
Hourly Wage ($)	May	1.87	1.86	1.81	77.3
Weekly Wage ($)	May	76.11	74.77	71.13	21.33
PRICES—Wholesale (lb2)	June 21	110.3	110.2	110.0	66.9
Retail (cd)	Apr.	207.9	207.5	208.1	116.2
COST OF LIVING (lb2)	Apr.	114.2	114.3	114.6	65.9
Food	Apr.	111.2	110.8	112.4	64.9
Clothing	Apr.	103.1	103.2	104.1	59.5
Rent	Apr.	129.9	130.0	128.2	89.7
RETAIL TRADE—$b**					
Retail Store Sales (cd)	Apr.	15.3	15.1	14.2	4.7
Durable Goods	Apr.	5.5	5.5	4.9	1.1
Non-Durable Goods	Apr.	9.7	9.6	9.4	3.6
Dep't Store Sales (mrb)	Apr.	0.90	0.86	0.84	0.34
Consumer Credit, End Mo. (rb)	Apr.	30.7	29.9	28.1	9.0
MANUFACTURERS'					
New Orders—$b (cd) Total**	Apr.	25.9	26.5	22.3	14.6
Durable Goods	Apr.	12.7	13.4	9.6	7.1
Non-Durable Goods	Apr.	13.3	13.1	12.7	7.5
Shipments—$b (cd)—Totals**	Apr.	26.1	26.0	23.7	8.3
Durable Goods	Apr.	12.8	12.9	11.2	4.1
Non-Durable Goods	Apr.	13.3	13.1	12.5	4.2
BUSINESS INVENTORIES, End Mo.**					
Total—$b (cd)	Apr.	77.7	77.5	78.8	28.6
Manufacturers'	Apr.	43.3	43.3	44.5	16.4
Wholesalers'	Apr.	11.7	11.6	11.6	4.1
Retailers'	Apr.	22.8	22.6	22.7	8.1
Dept. Store Stocks (mrb)	Apr.	2.4	2.4	2.4	1.1
BUSINESS ACTIVITY—1—pc	June 18	214.9	214.4	194.3	141.8
(M. W. S.)—1—np	June 18	271.7	271.2	241.5	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 483)

COMMODITIES—Spot prices of most leading commodities were higher in the two weeks ending June 24 and the Bureau of Labor Statistics' index of 22 such commodities rose 1.0% to 90.6% of the 1947-1949 average. Best gains were made by the industrial materials and metals components, each of which were 1.6% higher. Raw foods were unchanged while textiles and fats and oils were slightly lower.

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NEW HOUSING STARTS advanced seasonally in May, with 132,000 units getting under way, versus 127,000 the previous month. 129,500 of the May total were begun by private builders, an increase of 3,000 from April. On a seasonally adjusted annual basis, the number of new homes started in May amounted to 1,306,000 units, virtually unchanged from April, but under the recent high of 1,478,000 starts, reached in December, 1954. With contract awards for residential building at high levels in May and 23% ahead of a year ago, no early diminution in the rate of residential building is looked for.

* * *

New orders for **MACHINE TOOLS** came out of the doldrums with a bang in May as manufacturers received $72.2 million worth of incoming orders, a 38% increase over April and the highest level of new orders in 21 months, the National Machine Tool Builders Association has announced. Domestic consumers accounted for all of the increase while foreign orders were slightly lower. Shipments during May were valued at $53.5 million, a little ahead of April, while production of $68.7 million was under the $69.2 million output of the previous month. At current output rates, it would take 4.7 months to complete all orders on the books at the end of May, which compares with 4.5 months at the end of April.

and Trends

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—la np (rb)	May	138	136	125	93
Mining	May	120	120	111	87
Durable Goods Mfr.	May	153	150	136	88
Non-Durable Goods Mfr.	May	126	125	117	89
CARLOADINGS—t—Total	June 18	785	787	707	933
Misc. Freight	June 18	380	383	346	379
Mdse. L. C. I.	June 18	67	67	61	66
Grain	June 18	54	52	57	43
ELEC. POWER Output (Kw.H.) m	June 18	9,987	10,041	8,850	3,266
SOFT COAL, Prod. (st) m	June 18	9.6	7.8	8.0	10.8
Cumulative from Jan. 1	June 18	207.9	198.3	175.1	44.6
Stocks, End Mo.	Apr.	64.0	64.0	70.6	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	June 17	6.6	6.6	6.5	4.1
Gasoline Stocks	June 17	165	164	169	86
Fuel Oil Stocks	June 17	46	45	50	94
Heating Oil Stocks	June 17	91	88	79	55
LUMBER, Prod.—(bd. ft.) m	June 18	280	280	263	632
Stocks, End Mo. (bd. ft.) b	Mar.	9.1	9.1	9.2	7.9
STEEL INGOT PROD. (st) m	May	10.3	9.8	7.5	7.0
Cumulative from Jan. 1	May	47.4	37.1	36.8	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	June 23	412	328	313	94
Cumulative from Jan. 1	June 23	8,985	8,573	6,504	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	June 18	239	264	216	165
Cigarettes, Domestic Sales—b	Mar.	33	28	32	17
Do., Cigars—m	Mar.	518	438	507	543
Do., Manufactured Tobacco (lbs.)m.	Mar.	18	15	18	28

PRESENT POSITION AND OUTLOOK

The Office of Defense Mobilization has taken steps to ease the tight situation in **NICKEL and ALUMINUM.** In the case of nickel, 5 million pounds of the metal, scheduled for stockpile delivery in the third quarter, will go instead to private industry, while the Government will defer to a later date, the acquisition of 200 million pounds of aluminum. This is in addition to 150 million pounds of the latter metal diverted to industrial use in the first half of the year. Although these actions will ease the situation somewhat, shortages of the two metals are expected to continue until substantial increases in production are attained.

* * *

Manufacturers shipped 102 million pounds of **RAYON** in May, a 9% decline from April, but 11% ahead of May, 1954, Textile Organon has reported. Production during the month almost matched shipments and stocks in the hands of manufacturers at the end of May fell slightly to 61.2 million pounds, from 61.4 million pounds on April 30. A year ago, producers had 96.4 million pounds on hand.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. I—Seasonally adjusted index (1935-9—100). la—Seasonally adj. index (1947-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1935-9—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb3—Federal Reserve Bank of N. Y.—1941 data is for 274 centers. st—short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

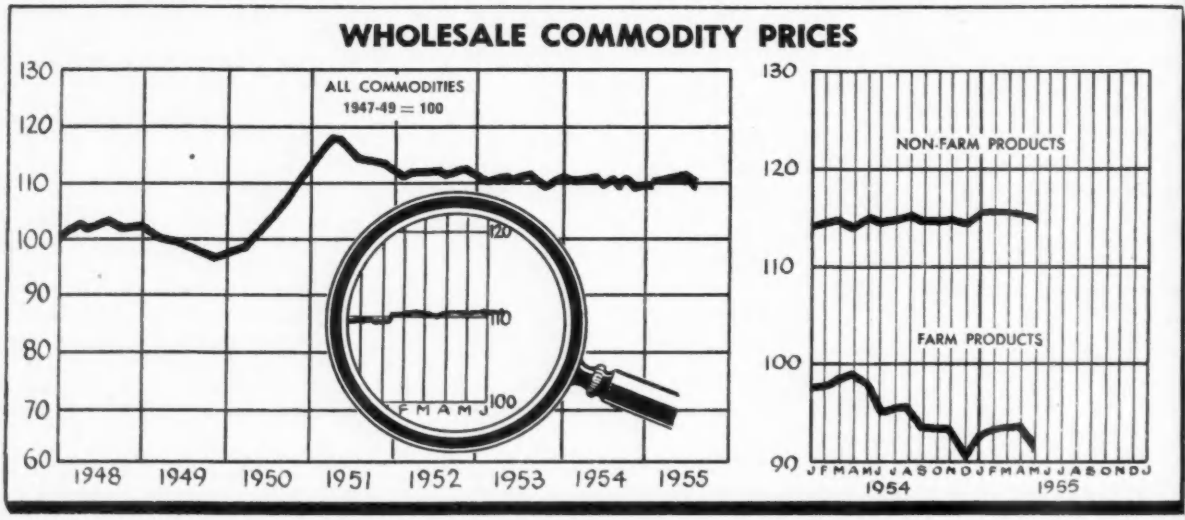
No. of Issues (1925 Cl.—100)	1955 Range High	1955 Range Low	1955 June 17	1955 June 24
300 Combined Average	319.3	282.0	318.1	319.3H
4 Agricultural Implements	316.3	264.9	313.5	316.3
3 Air Cond. ('53 Cl.—100)	116.0	97.4	99.8	97.4L
10 Aircraft ('27 Cl.—100)	1,084.9	880.9	927.3	899.5
7 Airlines ('27 Cl.—100)	1,263.6	971.2	1,242.7	1,242.7
4 Aluminum ('53 Cl.—100)	319.1	191.1	311.3	303.4
7 Amusements	177.4	147.0	177.4	175.8
9 Automobile Accessories	349.6	308.3	346.4	349.6H
6 Automobiles	48.9	44.3	48.4	48.9
4 Baking (2'6 Cl.—100)	30.3	27.8	30.3	30.3
3 Business Machines	917.3	657.4	910.6	917.3H
6 Chemicals	560.0	466.6	545.2	560.0H
3 Coal Mining	19.4	14.8	17.4	18.3
4 Communications	116.6	103.9	113.4	112.4
9 Construction	122.9	106.4	122.9	121.8
7 Containers	747.7	675.1	740.4	747.7H
7 Copper Mining	291.7	222.2	291.7	287.1
2 Dairy Producst	127.0	117.6	125.8	127.0H
6 Department Stores	95.3	80.0	95.3	95.3
5 Drugs-Eth. (1953 Cl.—100)	151.2	129.6	149.9	147.2
6 Elec. Eqp. ('53 Cl.—100)	174.7	156.0	168.5	171.6
2 Finance Companies	651.1	589.6	651.1	638.8
6 Food Brands	300.6	266.6	292.8	292.8
3 Food Stores	149.2	137.7	147.8	146.3

(Nov. 14, 1936 Cl.—100)	High	Low	1955 June 17	1955 June 24
100 High Priced Stocks	208.7	180.6	208.4	208.7H
100 Low Priced Stocks	383.1	343.5	382.6	381.7
4 Gold Mining	806.0	684.8	684.8	684.8
4 Investment Trusts	157.1	143.8	155.6	155.6
3 Liquor ('27 Cl.—100)	1,069.3	961.3	1,047.7	1,069.3
9 Machinery	395.8	317.7	372.8	369.6
3 Mail Order	196.7	159.3	193.5	196.7H
4 Meat Packing	134.4	112.8	128.4	126.0
5 Metal Fabr. ('53 Cl.—100)	183.7	155.9	178.8	183.7H
10 Meatls, Miscellaneous	412.5	358.2	412.5	412.5
4 Paper	1,009.4	767.1	1,009.4	1,001.3
22 Petroleum	668.2	590.0	662.2	668.2H
22 Public Utilities	249.1	234.8	249.1	249.1
7 Railroad Equipment	88.4	73.4	86.1	82.4
20 Railroads	77.9	64.7	77.9	77.9
3 Soft Drinks	533.5	459.9	515.1	533.5H
11 Steel & Iron	268.9	219.2	266.7	268.9H
4 Sugar	68.8	56.1	64.2	63.6
2 Sulphur	955.7	813.2	955.7	947.3
10 Television ('27 Cl.—100)	47.3	40.7	46.4	46.4
5 Textiles	178.4	148.4	173.9	178.4H
3 Tires & Rubber	165.3	137.8	165.3	163.9
5 Tobacco	89.6	81.9	86.2	85.3
2 Variety Stores	315.0	286.9	293.2	293.2
15 Unclassif'd ('49 Cl.—100)	155.2	146.3	150.8	150.8

H—New High for 1955. L—New Low for 1955.

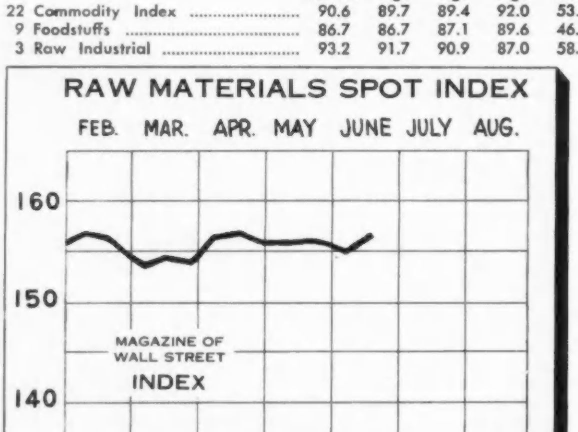
Trend of Commodities

Commodity futures were a mixed lot in the two weeks ending June 27, although the preponderance of changes were on the minus side. The Dow-Jones Futures Index lost 2.0 points during the period to close at 154.99. On June 24, wheat growers voted approval of acreage restrictions on the 1956 crop, and futures prices opened sharply higher on the following day of trading but by the close, near-term futures had lost most of their initial gains while 1956 deliveries retained 1 cent or more of their advance. For the two week period as a whole, nearby September wheat was down ⅞ cent to close at 201½. The harvesting of winter wheat is building up to a peak which should be reached early in July and this will alleviate the tight supply situation for the cash grain. In the Spring wheat belt the weather is good and the crop is ahead of schedule, while Canadian prospects for a good crop have improved. September corn lost 1⅛ cents in the period under review to close at 140⅝. Weather conditions are favorable although there are a few trouble spots. The hog-corn ratio is improving, however, and this should eventually make for greater demand. With futures prices currently some 30 cents under equivalent Government support levels, there should be a big movement into Government hands, of corn eligible for the loan. Cotton was little changed in the two weeks ending June 27 and the October future lost 1 point to close at 34.07 cents. Market uncertainty with regard to surplus disposal plans and price supports were continuing factors in the outlook. Estimated "free" carryover on July 31 has been raised to 3.1 million bales.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices — 1947-1949, equals 100

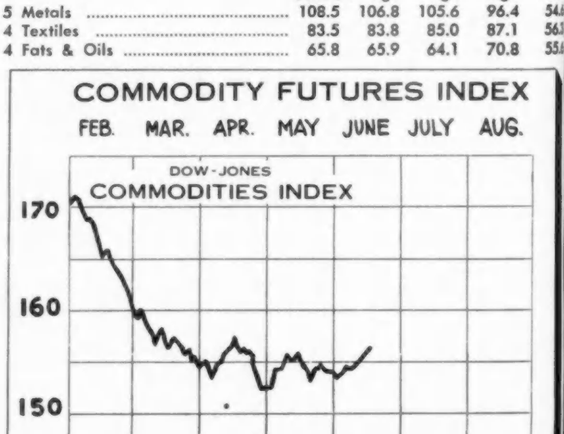
	Date June 24	2 Wks Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
22 Commodity Index	90.6	89.7	89.4	92.0	53.0
9 Foodstuffs	86.7	86.7	87.1	89.6	46.5
3 Raw Industrial	93.2	91.7	90.9	87.0	58.3
5 Metals	108.5	106.8	105.6	96.4	[illegible]
4 Textiles	83.5	83.8	85.0	87.1	[illegible]
4 Fats & Oils	65.8	65.9	64.1	70.8	[illegible]



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1954-55	1953	1952	1951	1945	1941	1938	1937
High	157.3	162.2	181.2	215.4	111.7	88.9	57.7	86.6
Low	147.8	147.9	160.0	176.4	98.6	58.2	47.3	54.6



Average 1924-26 equals 100

	1954-55	1953	1952	1951	1945	1941	1938	[illegible]
High	183.7	166.5	192.5	214.5	95.8	74.3	65.8	[illegible]
Low	152.5	153.8	168.3	174.8	83.6	58.7	57.5	[illegible]

WHAT'S NEW?

—A Record of Important Company Developments

Baldwin-Lima-Hamilton Corp., recent action in reducing the dividend on the common stock payable July 30, to 10 cents from 20 cents a share paid in the previous quarter, was reflected in heavy selling of the issue which carried it down to within three points of the 1955 low and approximately 10 points under the year's high at 24½. The decision to halve the current quarterly dividend was prompted by lower first half-year earnings and the need to conserve resources for use in consolidating activities, including those of recent acquisitions Baldwin made under its program of increasing diversification.

American Hawaiian Steamship Co., with an unbroken dividend record extending from 1929, and since 1942 maintaining payments on a $3.00 annual basis, although not earned in every year, has decided to suspend payments until such time as retained earnings from intercoastal operations justify resumption. News of this action broke the stock from 75½, the high in 1955 to date, to a low, at this writing, of 64. A big factor behind the action to discontinue dividends on the capital stock is the company's intention to build a new fleet of American flag ships to operate in the U. S. intercoastal trade. It expects to have the first units in operation by about a year and a half from now, but in the meantime plans to borrow in substantial amounts to finance the shipbuilding program.

Pitney-Bowes, Inc. Research and new product development have been substantial contributors to company growth in the last decade. Sales of this leading manufacturer of electric and hand operated mailing machines, postage meters and allied equipment for the U. S. Post Office Department and industry, increased to almost $35 million in 1954. This represents a gain of about 375 per cent from the $7.3 million recorded in 1946. Net income last year, at a record high of $2.9 million, was equal to $2.41 per common share. A continuance of the uptrend is indicated for 1955. In the quarter to last March 31, gross income from sales and rentals totaled $10.3 million, $1.9 million ahead of the 1954 first quarter, with net income per share rising to 70 cents from 56 cents a year ago. Pitney-Bowes enjoys a strong competitive position which it is further strengthening by introduction of improved and new machines, the results of its emphasis on research and engineering development.

Hooker Electrochemical Co., which moved up in market price from a low this year of 28⅜ to a high of 43½ and only recently backed off to 37¾, is showing renewed market strength, recovering to 43½, at the moment of writing. Increasing interest in the issue has followed the announcement that Hooker, a leading maker of the alkalis, chlorine and caustic

(*Please turn to page* 504)

Important Dividend Changes

June 15 to June 28

INCREASED DIVIDENDS

	New Rate	Period
Celotex Corp.	$ .50	Qu.
Daystrom, Inc.	.30	Qu.

INITIAL DIVIDENDS

	Rate	Period
Amerada Pete (new)	$ .50	......
Columbia Pictures (new)	.30	......
Corn Products Ref. (new)	.32½	Qu.
Diamond Match	.40	Qu.
Cleve. Elec. Illum. (new)	.40	......

REDUCED DIVIDENDS

Baldwin Lima Ham.	$ .10	Qu.
Youngstown Steel Car	.15	......

STOCK DIVIDENDS (Including Stock-Splits)

	Rate
Columbia Pictures	25%
Rayonier, Inc.	150

EXTRA DIVIDENDS

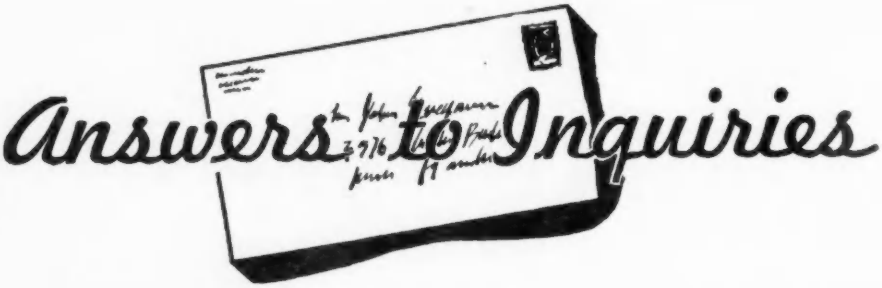
Best Foods	$1.00

RESUMED DIVIDENDS

Wilson Jones	$ .25
Austin Nichols	.20

OMITTED DIVIDENDS

American Hawaiian S.S.
Byers (A.M.) Co.



The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

J. C. Penney Company

"Most of my security investments were made for long term dividend income. I have a substantial investment in J. C. Penney Co. and would like to know whether this security warrants retention over the long term."
H. T., Erie, Pa.

J. C. Penney Company is the largest chain of junior department stores in the country, featuring low to medium-priced goods mostly in smaller towns. The gradual enlargement of present outlets and addition of new stores should appreciably increase future sales. This is a good quality stock with consecutive dividend payments since 1922 and this issue qualifies in a long term investment program.

Net earnings of J. C. Penney Company for 1954 reached $43,616,938, compared with 1953 net of $38,472,932.

This is equivalent to $5.30 a share on the 8,231,952 shares of common stock outstanding compared with 1953 equivalent of $4.67 a share on the same amount of common stock outstanding on the same date.

Sales last year totalled $1,107,156,633, compared with 1953 sales of $1,109,507,674, a decrease of $2,351,041 or .21%. Total number of stores in operation at the end of 1954 was 1644 compared with 1634 at the end of 1953.

Available cash and short term Government securities at the close of 1954 totalled $166,368,312 and inventories at the same date amounted to $142,478,192.

Retail buying was down generally early in 1954 and the year started off slowly. In the last quarter of the year substantial increases wiped out most of the sales lost earlier in the year. December sales were the largest of any month in the company's history to that time.

During 1954, 18 Penney stores were opened in new locations. 9 smaller stores were closed. 28 established stores were relocated in new buildings and 106 others were improved or enlarged.

Sales for the first 5 months of 1955 were $398,153,464, compared with the same period of 1954 when sales were $365,693,548. Thus sales increased 8.9% in the first 5 months of this year.

Company plans to open 30 stores this year, with 21 located in shopping centers. New buildings are planned for 25 existing stores and 110 units will receive major expansions. A new leased unit was recently opened in Miami. Capital expenditures will total $14 million against $10,700,000 in 1954.

Dividends including extras totalled $3.50 a share in 1954 and $3.30 has been declared thus far in the current year.

Yale & Towne Manufacturing Company

"Kindly give me information concerning recent operations and prospects for Yale & Towne Manufacturing Co."
K. M., Austin, Texas

Yale & Towne Manufacturing Company produces a varied line of material handling equipment and also sells all kinds of locks and builders' finishing hardware and door-closers. Sales and earnings have been mostly in a gradual upward trend for the last decade. Penetration of new fields by modern materials — handling methods and the development of an increasingly versatile attachment for fork lifts, trucks and machinery indicate a good rate of sales for some time to come.

For the 3 months to March 31, 1955 net sales were $25,442,197, net profit $1,041,331, equal to $1.65 per share based on 632,336 shares outstanding against first quarter 1953 net sales of $23,075,437, net profit $443,243, equal to 71 cents per share based on 628,586 common shares then outstanding.

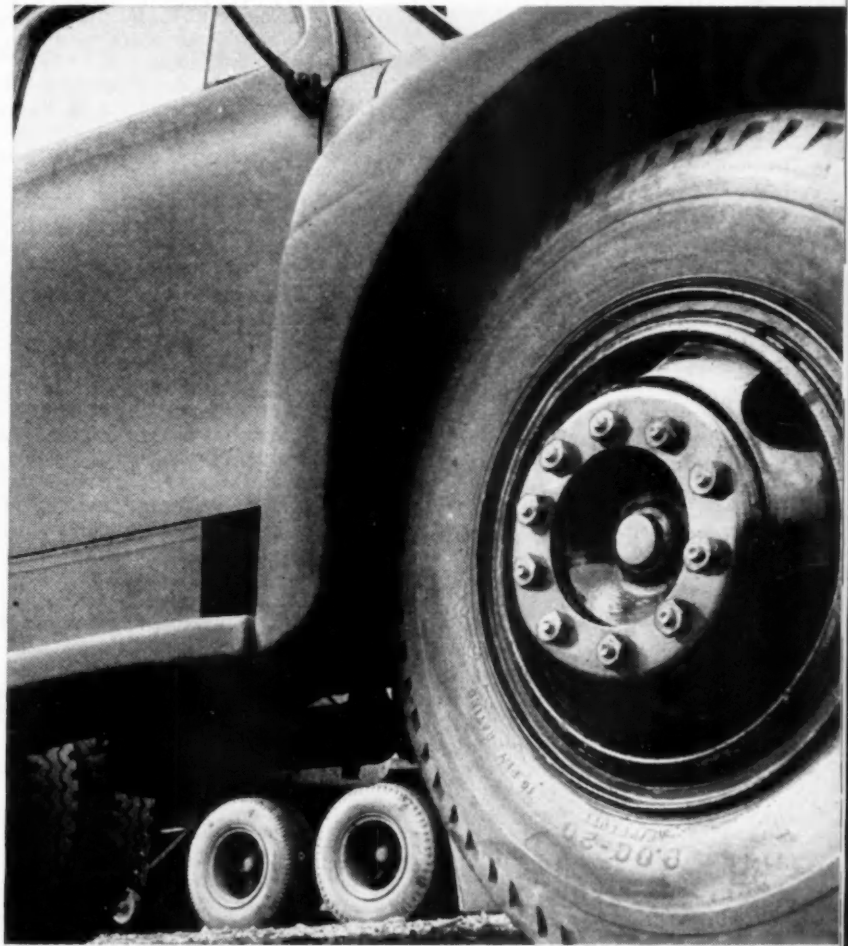
Net income was $1,821,090 on $87,892,843 sales in 1954 as compared with net income of $2,894,664 on $109,626,417 sales in 1953. These results were equal to $2.88 per share in 1954 and $4.61 per share in 1953.

Results were affected last year by the reduction in net sales, attributed chiefly to a substantial decrease in the volume of products sold to the United States Government, and also by the unusual expense incurred in completing the company's long-range reorganization program. The benefits of this program began to be reflected in the company's earnings during the fourth quarter and indications are that in 1955 income will be favorably influenced by the manufacturing effici-

(*Please turn to page* 502)

Look what the wheel has done for us!

And look what steel has done for the wheel



Nobody knows who thought of it first. But certainly the wheel is one of man's most notable achievements.

It started civilization moving. It turned—and man and his world changed, abruptly.

Now it tells man the hour. It carries him to work. It brings him food. It builds his house. It gives him light. It cools and warms him. It *is* industry.

And when you think about it a minute, where would we be without it? And where would the wheel be without steel?

Importance of steel

There are many reasons why man chose steel.

It is strong and durable. It holds its dimensions. It will not warp, shrink, splinter. It can be made to fit a specific size or shape.

And, year after year, the quality of steel has improved. Better steels are constantly being offered to American industry.

One of the steels that make possible better wheels than were available just a few years ago is N-A-X HIGH-TENSILE steel, a product of National Steel Corporation.

Advantages of N-A-X HIGH-TENSILE

N-A-X HIGH-TENSILE is a low-alloy, high-strength steel with good ductility and cold formability to withstand the tremendous pressures of deep-drawing dies used in wheel making.

For example, the N-A-X HIGH-TENSILE wheel (above, right), though it may look no different from any other truck wheel, is actually sturdier and it is lighter. This means that more weight goes into the payload.

N-A-X HIGH-TENSILE steel also has exceptional resistance to road impact, fatigue, abrasion and corrosion. It has excellent welding properties, too.

National Steel's role

The characteristics that make N-A-X HIGH-TENSILE a better steel for wheels also make it better for many other products, such as automobile and truck bumpers, railroad cars and flooring, earth-moving equipment, shipping containers, and many other applications. In fact, its applications are limited only by man's imagination.

N-A-X HIGH-TENSILE is, of course, just one of many steels made by National Steel. Our research and production men work closely with customers in many fields to make better steel for better products.

It is our constant goal to produce still better and better steel—America's great bargain metal—of the quality and in the quantity wanted, when it is wanted, at the lowest possible cost to our customers.

SEVEN GREAT DIVISIONS WELDED INTO ONE COMPLETE STEEL-MAKING STRUCTURE

Great Lakes Steel Corporation • Weirton Steel Company • Stran-Steel Corporation • Hanna Iron Ore Company • National Steel Products Company • The Hanna Furnace Corporation • National Mines Corporation

• DRIVE SAFELY •

NATIONAL STEEL CORPORATION
GRANT BUILDING PITTSBURGH, PA.

Will Guaranteed Wage Put Free Enterprise Into Strait Jacket?

(*Continued from page* 450)

of stability would have been added to our economy. In this sense, the "guaranteed wage" may produce beneficial results for the economy, as a whole, though preparation by executives to meet its problems will undoubtedly be a long and arduous task.

Most experts agree that higher wage costs through the working of the "guaranteed wage" will mean added difficulties for the smaller companies. In the automobile industry, there is already a good deal of apprehension among the so-called independent manufacturers who feel that they have trouble enough without the "guaranteed wage". While Ford and General Motors and, possibly, Chrysler can withstand the new hike in labor costs, it is doubtful that this will be true of the smaller combines, who have just commenced to get out of their slump. Apparently, GM and Ford are not much worried, as judged by their plans for expansion in the near future. GM is going to spend $500 million.

One of the effects of the "guaranteed wage" now foreseen is that the larger companies will find it to their advantage to manufacture as much of their parts and accessories as possible in order to maintain as high and even a level of employment as possible. This will tend to draw big business away from the smaller manufacturers who live by serving the big companies. In defense of their position, no doubt many of these companies will want to merge.

Other industries are now getting ready to meet the onslaught of union demands for the "guaranteed wage". This is particularly true of the farm-machinery field where contracts will shortly expire. It is understood that the electrical equipment companies will also soon face the test.

In the steel industry, wages are the principal point of negotiation and the "guaranteed wage" question is not expected to come up until a year hence. In the rubber industry, wages will also be the chief point of negotiation and the "guaranteed wage' will not come up until a year from now. The meat-packing industry also does not have to face the problem until next year.

Some industries probably will not be affected at all by the "guaranteed wage". Aircraft manufacturing is one since its volume depends to a large extent on government contracts and these fluctuate very widely, according to the needs of the Defense Department. The same is true of shipbuilding. Obviously, rubber and petroleum, with their low labor costs percentagewise, are not much concerned. The same is true of the public utility industry.

Wherever the incidence of the "guaranteed wage" makes a great difference in the costs of individual companies not in a position to readily meet these new charges, it is likely that one of the results will be an increase in the number of mergers between such firms, who will seek greater security in combining with other companies in the same position. Also, some of these companies are now more likely to be absorbed by larger concerns. Thus, the new wage system can ultimately have the effect of reducing the number of companies within an industry and lead towards a monopoly, a condition always fought by labor unions. This is another of the anomalies of the situation. So far as the very large companies are concerned, it is quite likely that the final results will be to increase their advantage over their smaller competitors.

A Basic Flaw

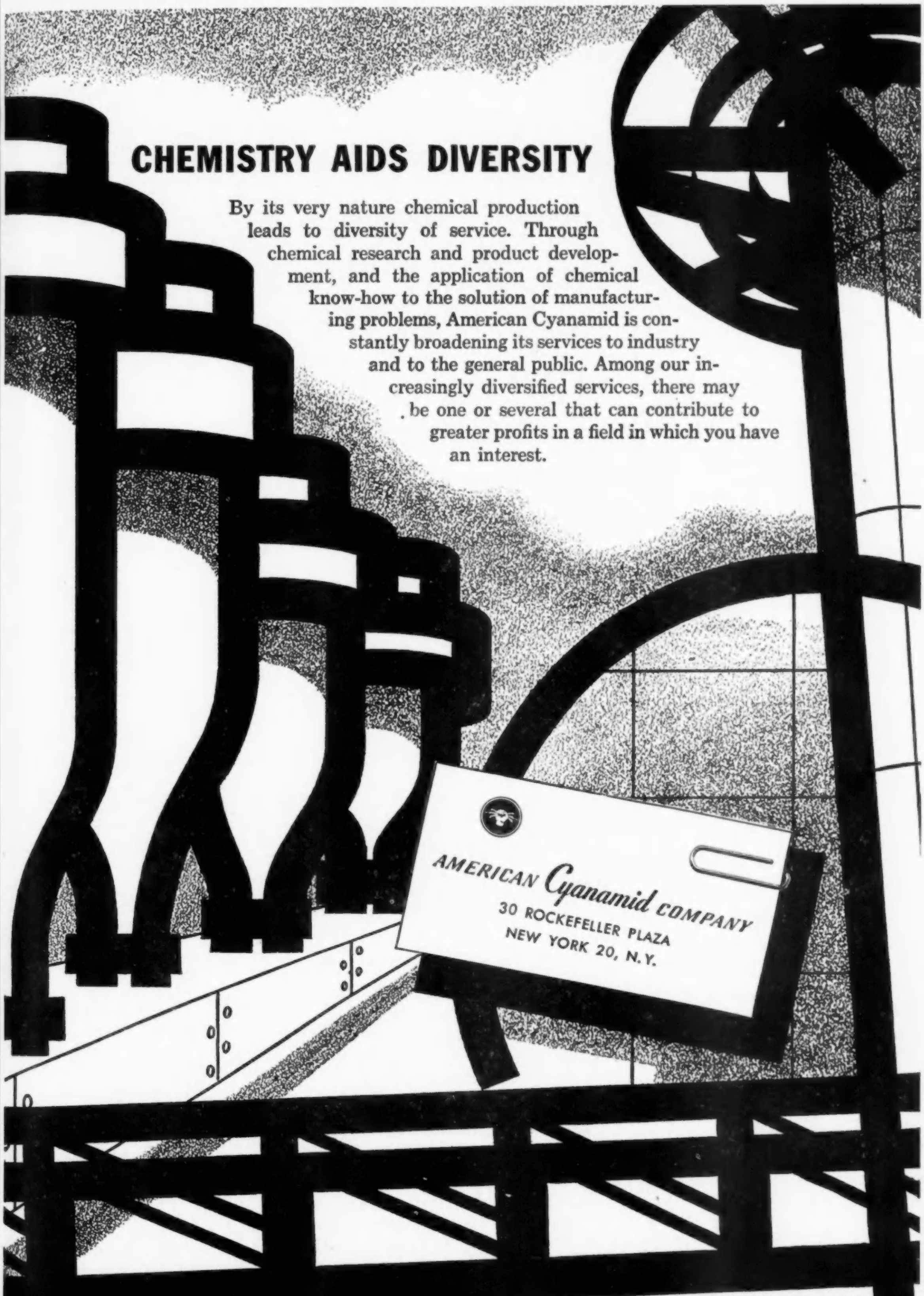
In assaying the various angles of the "guaranteed wage", one cannot dismiss the possibility that if the benefits of the new plan were to be increased over the years, particularly with respect to the duration of unemployment benefits, a premium would be placed "on not working". Indeed, many critics of the plan assert that numerous workers may have less inducement in continued production with 26 weeks pay made available through workless periods. In answer to this, however, it is feasible to state that only a minority of workers might so be influenced. The majority will still want to earn as much as possible, even though this means laboring throughout the year instead of taking their ease for 26 weeks. In other words, as between having the opportunity to work throughout the year—making allowance for vacations etc., at full pay and working half the year with a smaller take-home annual pay, most workers will prefer the former.

The attitude of employers to the granting of the "guaranteed wage" by Ford and General Motors has been mixed but most employers, especially the smaller ones, are apprehensive. A great deal of resentment, in fact, has been noted among those critics who feel that Ford, which opened the way to the "guaranteed wage" did not sufficiently consider the difficulties this would create among smaller business concerns. Some have cynically stated that the Ford family would not have agreed so quickly if they had had public stockholders to consider. This argument might hold some weight if the Ford family and associated interests should be considering disposal of some of their shares when they are, as is expected, made available to the public in the next year or so.

An immensely important feature of the "guaranteed wage" which has not been sufficiently commented upon is the impetus it has given Walter Reuther's prestige among the labor leaders and the public, at large. Undoubtedly, as a result of his great victory, Mr. Reuther is now the top figure in the American labor movement. This should not hurt his chances if, as is commonly believed, he attempts to form a Labor-Farmer party with the 1960 elections in mind.

From the investor's viewpoint, the new "guaranteed wage" situation is fraught with great significance as it can affect earning power and dividends. Unless higher costs created through the guaranteed wage (and, also important, rising fringe benefits, as well as higher wages) can be offset through economies and a radical change in operational techniques of industry, the effect on earnings will be felt throughout industry though the impact will vary widely as between individual industries and companies. Of course, earnings cannot be affected this year by the guaranteed wage since it does not come into effect for another year even for the companies now adopting the plan. Therefore, the

(*Please turn to page* 495)


CHEMISTRY AIDS DIVERSITY
By its very nature chemical production leads to diversity of service. Through chemical research and product development, and the application of chemical know-how to the solution of manufacturing problems, American Cyanamid is constantly broadening its services to industry and to the general public. Among our increasingly diversified services, there may be one or several that can contribute to greater profits in a field in which you have an interest.
AMERICAN Cyanamid COMPANY
30 ROCKEFELLER PLAZA
NEW YORK 20, N.Y.

What To Do About 50 Leading Stocks — And Why

(*Continued from page* 453)

MONTGOMERY WARD. In view of the unsettlement in in- investors' minds caused by the recent management fight and the problems faced by the new management, long-term appreciation prospects from these levels are difficult to appraise at this time. Under these circumstances, for investors who may have purchased the stock at considerably lower levels, a mark-down of the original cost through acceptance of part profits might be in order. Investors, however, who have been retaining this stock as a long-term investment need not disturb their holdings.

NAT'L LEAD. This is strictly a long-term investment but is now selling at rather advanced prices. Long-term holders need not disturb their position notwithstanding large accumulated profits but new commitments should be deferred until lower prices are available through a general market decline. Part profit-taking by those mainly interested in speculative profits could be in order.

OWENS ILLINOIS GLASS. The remarks to holders of the above could be applied here, despite the difference in industries, as the problem is about the same as to what to do now about substantial profits on common stocks of high calibre.

PHILLIPS PETROLEUM. Though this stock has had a substantial advance in the past year, it is still available at comparatively reasonable levels and new purchases could be made on a "dollar-averaging" basis. Long-term holdings should be maintained, especially by purchaser at low levels who are now receiving a good return on the original investment.

PITTSBURGH PLATE GLASS. This stock is suitable for investors with a long-range investment program. If new purchases are to be made, they should be on a "dollar-averaging" basis, preferably after a reaction from present advanced levels. While profits are substantial on this issue, it is a question whether they should be taken, either in toto or in part, in view of the impressive outlook for the company and its obvious growth stature.

PROCTER & GAMBLE. This is a typical "blue chip" and is found in portfolios of substantial investors, including institutions, Despite the substantial rise in the stock, it is doubtful whether this should prove a reason to sell by investors with a long-range investment program. In this type of stock, the yield is considered a secondary consideration. Obviously it will not suit investors who are interested in securing as large a current return on their investment as possible.

RADIO CORP. OF AMER. The essential attraction of this stock for investors has been its distinctive growth feature. Accordingly, the yield factor has not played an important part in investors' attitudes. Despite the substantial rise, investors concerned mainly with long-term programming of their investments need not disturb their position. For investors more interested in immediate returns, partial acceptance of profits might be in order to mark down the original cost, the balance retained for long-term purposes.

REPUBLIC STEEL. (An important new phase of this company's operations is discussed in the article on "taconite" on page 462.) The stock returns an excellent yield on the original investment, if purchased in the lower ranges of 1953-54. Despite the substantial rise, investors need not disturb long-term positions. Those interested in speculative profits might accept part to reduce cost. New purchases would be more advisable after a reaction in price.

REYNOLDS METALS. The spectacular rise in this issue has placed it quite beyond the means of the average investor. In view of the enormous profits, a moderate scaling-down of holdings might be in order but the balance might be retained provided investors are in a position to ignore any possible wide swings in the stock.

SCOTT PAPER. Investors fortunate enough to have purchased this issue at near the lower ranges of 1953-54 are in possession of an excellent yield on the original investment. For this reason and because of the inherent strength of the compan holding need not be disturbe despite substantial advance.

SEARS, ROEBUCK & C Investors in this issue not co cerned with a current need f profit-taking and who prefer maintain a long-term positio would be justified in so doin The company continues its stead growth with promise of co tinued expansion of profits i future years. If acceptance o profits is desired by individual with shorter-range objective selling should be limited to ju enough to mark down origina cost to the extent deemed desir able.

STANDARD OIL (CAL.). Fo purchasers at the lower price prevailing in 1953 and 1954, th yield on the original price is sub stantial and should be valued b investors for its own sake, apar from any considerations of prof available. Accordingly, investors interested primarily in curren return should not disturb their position. For individuals more interested in appreciation, th present advanced price of th shares affords an opportunity t accept profits but this should be only on a partial basis, and the balance retained. Long-term investors, interested primarily i growth potentials, need not disturb their position. New purchases should be deferred pending general market reaction.

STANDARD OIL (N.J.). The remarks on the above are generally applicable here. In both instances "dollar-averaging" would be in order but should commence at a substantially lower price than the present whenever available.

UNION CARBIDE & CARBON. The yield on this important stock is characteristically low, even at the lower market ranges of 1953-54. The prime element in this issue is the growth potential on which it amply qualifies. This issue should be retained for long-term capital appreciation. New purchases can be made on a "dollar-averaging" basis.

U. S. STEEL. This issue is commencing to approach semi-investment status and is losing some of its former cyclical features. Both on the basis of substantial original yield and long-term prospects, the stock should be retained by purchasers at lower levels of 1953-54. Those

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Practical and Obsolete Economic Indicators

(*Continued from page* 455)

A second and related set of statistics, also available only since the end of World War II, set out the level of manufacturers' backlogs, by industry. These are the woodpiles of production and sales yet to be consummated; it is obvious that they furnish a key element in analysis of the state of business.

Another set of so-called foreshadowing statistics is the annual survey of consumer finances done by the Federal Reserve Board, and published in the Federal Reserve Bulletin. These surveys provide very significant data on the condition of the consumer sector, and specifically on anticipated consumer purchasers of durable goods in the near-term future. They also provide information on the rate at which consumers expect to purchase homes in the future, and some data on their anticipated saving habits. Also included are questions on the general state of consumer sentiment, and what consumers expect to happen to their income over the coming year.

The forecasting record of this "anticipations" series is far from perfect. But together with regular monthly data now available on actual retail sales by type of merchandise, they provide a running account of the strength of consumer demand and the forms which consumer spending is taking, and is likely to take in the near future. Since consumer outlays account for fully two thirds of the national output of the United States, the central importance of these figures as business indicators can hardly be exaggerated.

Projected Plant Expenditures

Another fundamentally important "foreshadowing series" is furnished by quarterly surveys of *expected* plant and equipment expenditures for American business. These figures, reported jointly by the Department of Commerce and the Securities and Exchange Commission, have been found to be a highly accurate forecast of business spending on construction and capital goods, which together account for about 10% of total economic activity. Taken together with the new order series for machinery industries (referred to generally above) and with the various available measures of production activity in the machinery industries (such as the machinery component of the Federal Reserve's industrial production index) they provide such an extraordinarily good guide to this area of business activity that doubts about plant and equipment spending can now be resolved fully three months ahead. For example, it is now abundantly clear that plant and equipment outlays in the third quarter of 1955 will be about $1 billion higher (annual rate) than in the second quarter, and about $3 billion higher than in the first quarter. It is also becoming clear that they will rise slightly further in the fourth quarter.

A third fundamentally important "foreshadowing series" is contained in the Federal budget. Over the past twenty years, Federal spending has grown from a negligible portion of total activity to about 15% of the total. The volume of federal spending, happily, is set out with only a small margin of error in the federal budget document, which is prepared fully six months before the beginning of the fiscal year to which it applies. Barring unforeseen eventualities—such as sudden intensification or relaxation of international tensions, or violent disturbance of agricultural crops by weather—the level and composition of federal expenditures for defense, for agricultural supports, for interest on the debt, and for general government are soundly forecast in the budget document, and in the much more readable budget summaries which are prepared by many business publications and daily newspapers.

Building Contract Awards

Finally, in the important area of construction activity, there are now highly developed contract-reporting systems covering most of the United States, which yield monthly or even 10-day data on the rate of building contract awards. Because of the lengthy lag between contract awards and the actual on-site activity, construction expenditures can be forecast accurately about three months ahead of time.

This completes the list of readily available "foreshadowing series". However, there has recently been developed a variety of techniques which make forecasting easier without depending entirely on foreshadowing figures. For example, the National Bureau of Economic Research, after testing literally hundreds of available statistical series, has discovered that eight in particular tend to move in advance of the general business cycle. These eight are, therefore, worth close watching. They are: stock prices, raw material prices, new orders in durable industries, residential building contract awards, nonresidential contract awards, average hours worked in factories, new business incorporations, and business failures. All of these figures are readily available. While their forecasting record is certainly not perfect, they provide a useful guide line to the short-term future.

Another technique which has recently attracted considerable attention is the so-called "diffusion method" of combining a large number of indicators into one. It is typical of business conditions that in the early stages of a boom almost all indicators are showing improvement. Late in the boom, while business conditions generally are still improving, the percentage of individual indicators that are still rising begins to decline. At the peak, of course, roughly half of the available indicators will be rising and half falling, and as recession deepens a larger and larger percentage of indicators will be falling. Because of this characteristic of business conditions, the *percentage* of indicators rising or falling tends to change direction several months before business conditions themselves. These "diffusion" statistics are now available from a number of private research firms, and from some non-profit research institutions.

Finally, government agencies have, in the past several years, spent millions of dollars in developing fundamental business statistics which, while they do not "foreshadow" economic activity, are now extraordinarily reliable measures of what *is* happening. The employment estimates compiled by the Census Bureau and the Bureau of Labor Statistics provide a simple, sound, and use-

lly detailed description of the lume of business activity in a st of individual lines; the "gross tional product" figures produced quarterly by the Department of Commerce are a highly sponsible measure of the rate total national expenditures for ods and services; the Bureau of abor Statistics wholesale price dex, which is based on literally ousands of price interviews ross the country, and covers ousands of individual items, is mass of information on national rice conditions; and the Federal eserve's industrial production dex, perhaps the most watched all American statistics, is a osely accurate measure of production activity in manufacturing and mining enterprises.

This is, unquestionably, a formidable array of statistical material, and it is not suggested that ny one man can keep them all nder control. But out of the list ne should be able to extract hose that bear directly on his dividual interest. To watch even part of the list is to keep an ccurate count of the American usiness pulse. –END

Will Guaranteed Wage Put Free Enterprise Into Strait Jacket?

(*Continued from page* 490)

mplications as to earnings and ividends are of a somewhat onger-range nature. In the meantime, industry will have an opportunity to prepare the necessary procedure to meet the impact of higher costs. It will be compelled to study its operational methods from top to bottom and a heavy premium will be placed on finding new methods that will produce the highest operating efficiency.

One of the greatest risks in the new wage insurance plan is that unless it can be absorbed by higher productivity on the part of labor, it may exert pressure toward higher prices. None can deny the inflationary implications of a rising wage cost. But, of course, any tendency to increase prices on a substantial scale would meet with increasing consumer resistance. The result could have an adverse effect on business. It will take the greatest skill on the part of industry and labor to meet the challenge. —END

A Stronger Pattern for Textiles

(*Continued from page* 472)

to use its excess working capital to pay off the $25 million five-year loan, once Pacific and Goodall, which have considerable minority interests, are merged in. But the average investor takes a dim view of this complex financial structure, despite the record of long-term growth.

Wide Range in Profit Margin

The history of American Viscose Corp., also marked by long-term growth, nevertheless demonstrates the sharp fluctuations in the profit margin, an outstanding characteristic of the industry. Over the past 13 years net profit per dollar of sales has been as little as 4.7 cents, reached in 1944, and as high as 12.4 in 1950, the year the United States went to war in Korea. For the latest year, it was at 4.8, a shade above the low. Over those years Viscose has grown, through diversification, acquisition and new-product development. Back in 1942, sales were little more than $90 million. An all-time high, of nearly $270 million, was attained in 1951 and thereafter the trend was downward—to $235.2 million in 1952, $228.2 million in 1953 and $217.2 million in 1954.

Now, Viscose is on the way up once more. In the first quarter of 1955, sales rose 30% and, even more cheering to stockholders, net profit rose more than three-fold. Net profit for the initial quarter was $5,930,000, equal to $1.39 on each of the 4,113,032 common shares outstanding, compared with $1,635,000 for the first quarter of last year, equal to 34 cents a share on 4,095,918 shares outstanding. Net sales rose to $66,418,000 from $50,902,000.

Rayon and acetate textile yarn shipments by Viscose continue to improve while increased production in the automotive and tire industries has led to greater tire yarn sales. Production of rayon staples continues at capacity. Cellophane sales remain at last year's high level. Earnings of Chemstrand Corp., owned jointly with Monsanto Chemical Co., have turned upward sharply. It is expected that Chemstrand's nylon business will continue to be good and that there will be progressive improvement in sale of acrilan, a wool-like acrylic fiber. The rise in over-all sales and earnings of Viscose is attributable to the fact that prices of coarse filament yarns, which can be produced more efficiently than fine yarns, were increased early this year by major producers. These heavy yarns are used mainly by makers of furniture and automotive upholstery and by drapery manufacturers.

Viscose has paid some dividend in every year since 1941. For the past two years the common has received $2 annually, prior to which the yield was $2.50. If current performance is any indication of what the balance of the year holds, then a higher dividend is in prospect.

"Cotton is King"

To dispel any impression that corporate progress in this industry is confined to the makers of man-made fibers, the case of M. Lowenstein & Sons is cited. Leon Lowenstein, chairman of the board, has said that "cotton is king and is going to stay king for a long time to come" and noted that about 90% of his company's gross sales were cotton yardage and the other 10% synthetic. This business, begun with $2,500 in 1889, last year registered record sales of $274,500,000. The year also was highlighted by acquisition of Wamsutta Mills, expansion of productive facilities and the borrowing of $25 million from two insurance companies, repayable over 20 years. It also was featured by a 2-for-1 split of the common. A quarterly dividend of 27½ cents was declared, equal to 55 cents on the old shares, which received 50 cents quarterly. The dividend was boosted again this year to 30 cents.

Lowenstein sales in the first quarter this year were the highest for any three-month period in its long history. At $87,079,000, they were up 13% from a year ago. Net profit of this cotton-cloth maker was $2,359,000, or 87 cents a common share, up from $1,698,000, equal to 62 cents a share, in the initial quarter of 1954. This achievement was in spite of a strike at its New Bedford, Mass., cotton textile division. An excellent second quarter is in view, especially if labor peace is restored.

Stockholders in May approved an increase in authorized common to 5 million shares from 3 million. The company has no present plans to issue any additional stock, but wants it available for such contingencies as exchanges for other companies and for dividends.

Selling around $25, compared with book value of $26.85, the stock is priced to yield 4.8%. Lowenstein would rate highly in any industry, but in the "feast or famine" textile field it is truly topnotch.

J. P. Stevens & Co., Inc. is another outstanding company in the field, rating as one of the larger entities, financially strong, well diversified and backed up with a good earnings and dividend record. The feeling at Stevens is that "cotton is here to stay and its sales at mid-1955 were running on the order of 39% cotton, 38% synthetics and 23% for wool. Net profit for the six months through April surpassed the showing of the entire fiscal year through last October. Net for the semi-annual period rose to $4,117,000, equal to $1.04 a share, against $3,573,000, or 90 cents a share, for the year that ended October 31, 1954.

Stevens, like many others in the industry, sees a potential danger to the price structure of the American apparel and textile business from the import of low-cost foreign goods. Large yardages and also finished garments produced at labor rates a small fraction of ours are coming into the country from the Far East.

The dismal showing of Stevens in the last fiscal year brought on a reduction in the dividend to 25 cents at quarterly intervals, prior to which 50 cents was paid. The upturn in the fortunes of this company would appear to warrant consideration in the near future of a hike in the return to stockholders.

It is obvious from the foregoing that those companies that have diversified, consolidated operations and made their plants more efficient, usually with the help of a merger, are well on the way to a better day. The one-line, one-fabric cotton mill rapidly is becoming a thing of the past.

Industry Goes South

In the matter of shifting operaons away from New England, e industry appears to have all t completed this phase of transrmation. Today, about 94% of e cotton textiles, as an example, e produced in the Southland. he differential in labor costs and ant obsolescence have knocked t New England as a major producer. Yankeeland has lost in cotons and synthetic textiles some 0,000 jobs since 1947. Union d corporate leaders in this instry agree on one thing—wage d fringe benefits to textile orkers are far behind other asic industries, notably the automotive. But in the present state f the textile business, up today d down tomorrow, it isn't likely at much will be done, or can be one, to upgrade the employes.

While there is no near-term rospect of eradicating the sharp eaks and valleys of the textile dustry, the future would appear be relatively bright for those ompanies that have demonstrated utstanding merchandising ability, increased efficiency and diversified their lines. While the synthetics have made enormous trides, it is well to emphasize hat consumer complaints are being heard. This may be ascribed, n large measure, to the exaggerated claims made for the products by some manufacturers and also to the tendency to rush these man-made fibers to market before they have been thoroughly tested.

For the first half of this year, it would appear that the textile industry has made an impressive comeback. Outlook for the balance of the year depends on the general level of retail soft goods sales and retailer buying policies. With consumer income at record levels and inventory positions relatively low, signs point to an unusually good year for textiles, although profits-wise the industry will feel the impact of rising material and labor costs unattended by offsetting price increases.

—END

What To Do About 50 Leading Stocks — And Why

(*Continued from page* 492)

who are interested in accepting speculative profits might reduce their holding sufficiently to mark down the original cost as desired. New commitments might be deferred pending a general market reaction.

WESTINGHOUSE ELECTRIC. This issue has been steadily improving its investment standing. While the original yield is not particularly large, even if stock had been purchased at lowest levels, prospects for higher dividends are good, thus raising the return. As with General Electric, the main feature is the growth potential. Accordingly the issue is suitable for long-range investment. New commitments, however, might be deferred pending a general market reaction.

Public Utilities

Instead of treating the five public utility stocks included in our list of 50 active stocks separately, as in the case of the industrials, the following general remarks apply to all. This group of public utility stocks, as is true of many other leading public utility stocks, should be considered mainly from the income standpoint, with appreciation a secondary factor. In the case of all five stocks, the yield on the basis of the original cost, if purchased near the lower levels of 1953-54, is substantial and the stocks, accordingly, should be retained by individuals whose first concern is with current return on their investment. At the same time, since each represents a growth situation, they may also be retained for eventual, if moderate, appreciation. New purchases on all five stocks can be made on the "dollar-averaging" plan.

Railroads

The five rails listed in the table road analysis on page 465-469 are covered in our special railand, therefore, require no further comment here.

— Note —

We have tried to make our comments serve the practical needs of investors at this particular time. However, it may be pointed out that the individual investor must decide for himself which of the several possible courses of action which we have pointed out as suitable under present conditions apply to him personally.

—END

Can Merchandisers Hold New Gains in Profits?

(*Continued from page* 475)

dend action over the long term.

Macy Dividend Studied

R. H. Macy, which operates a nation-wide chain of department stores and now is embarked on the greatest branch-store program in its history, also is expected to pursue a more liberal dividend policy and likewise showed outstanding strength until directors in late May declared the usual 40 cents for the quarter. With sales and net profit running sharply ahead of the year-ago period, there had been considerable expectation of a dividend rise. This company, whose fiscal year ends July 31, reported for the 13 weeks to April 30 net of $643,000, equal to 22 cents a common share, on sales of $87,197,000. For the like period a year earlier, net was $475,000, or 12 cents a share, on sales of $79,130,000. Thus, sales are running more than 10% ahead of the 1954 period and should continue their upturn as Macy begins to benefit increasingly from its branch stores. Although the company generally follows a policy of leasing stores, in order to retain capital for merchandise and such items as accounts receivable and fixtures, cash needs figure to be considerable over the near term. Macy is confronted with the problem of preserving profit margins on appliances and other wares as result of the vigorous competition from discount houses.

A higher dividend for Macy would appear to be in prospect, for indicated earnings in the first nine months of its current fiscal year were $2.68 a common share, compared with $2.21 in the preceding period. However, earnings for the full fiscal year that ended July 31 last were equal to only $2.14 a share, after adjustments. Earnings for the fiscal year that ends this month may approximate $3 a share and pave the way to a higher return to stockholders.

City Stores Branch Program

City Stores reported total net sales for the year ending January 29, 1955, were $241,755,000, compared with $233,227,000 the previous year, an increase of 3.7%. The upturn was helped by sales of several new branch stores. Net profit was up to $2.40 a common share from $2.20 and the annual dividend yield was continued at $1.40 a share. With the addition of several new stores, the company is expected to raise common-share earnings in the current year to about $3, although owing to preferred stock conversion privilege, this may be slightly lower. With net working capital above $70 million (about 28% of annual sales volume) and long-term debt comprising 34% of capitalization, finances are in comfortable shape. The $2,394,000 expense provision by City Stores for depreciation and amortization amply covers the maturing debt installments of $1.6 million.

City Stores, which started out in 1923 with three stores, has a record, going back to pre-war days, of setting a new sales high each year. Selling at 22½, the stock provides a yield of better than 6%. No increase in this liberal dividend is in prospect over the near term as City Stores plans to spend considerable sums on strengthening existing units by additional branch and suburban stores.

A standout among retailers, based on growth, earnings and dividends, is May Department Stores Co. The company, which is on a January 31 year, reported for the initial quarter that ended April 30, net earnings of $2,272,000, equal to 34 cents a common share, against $1,916,000 and 27 cents a share in the first three months last year. Net sales rose to $99,508,000 from $91,558,000. A record sales year is in prospect on the basis of stores now in operation. The addition of new units this year in the Midwest and Far West should swell the volume. Moreover, a strike that hampered deliveries by its Pittsburgh outlet will not be a factor in the current year.

May, last year, invested more than $16 million in property plant and equipment. The yearend ratio of current assets to liabilities was 2.81 to 1, compared with 3.11 to 1 at the beginning of the year. There was no substantial change in merchandise inventories, which totaled $52,300,000 at the close of the year. The common shares receive $1.80 a ye but with the pickup in busin a better return would appear be in the offing. Earnings p share of common stock in the l fiscal year were $2.70, compa with $2.62 in the preceding ye

Variety Stores Gain

Business is improving in va ety stores, too. United Sto Corp., which has sizable holdin in two leading variety chai McLellan Stores and McCr Stores Corp., will consider a other 30-cent dividend before t close of 1955 on its $4.20 seco preferred stock. This will be addition to the 30 cents payab this month and will be suppl mented by any stock divide United may get from McLell or McCrory. McCrory sales i May were 9.5% ahead of t 1954 month and for the first fi months of this year were up 3 from the like 1954 period.

Daddy of the variety stores, course, is F. W. Woolworth C This 75-year-old company list its shares on the New York Sto Exchange in 1912, when its sto total was 631 units and sal amounted to $60,558,000. By 195 the outlets had passed the 2,0 mark and volume was at $72 312,000. Woolworth has paid dividend every year since its i corporation. Since 1947, the sto has been on a $2.50 annual basi

"Liquidity" is a one-word sum mation of the goal of Woolworth fiscal policy. Its system of payi cash has not only attracted desi able suppliers, but has been r flected in net earnings. From tim to time, short-term bank cred is used, usually for season needs. When justified by pros pects for increased sales volum and timely liquidation, and whe the cost of money was low, long term borrowings have been mad These include a 20-year loan fro the Equitable Life Assurance S ciety of the United States a 3.5%, made in 1953. This was fo lowed up last year with a $4 million loan, increasing long-ter obligation to Equitable to $7 million.

Woolworth is stepping up th pace of its expansion and stor improvement program this yea By yearend, it expects to have record 2,065 stores in operatio including at least 44 new ones Despite the accelerated buildin rate, net cash expenditures fo

onstruction this year will be less han the $39,301,000 spent last ear because of an increasing umber of owner-built jobs. Total perating expenses show an upward trend due to many new and nlarged stores. Prices of building materials and maintenance, s well as taxes and wages, coninue to rise.

The company has pursued a end toward self-service stores, nding them more profitable and ell accepted by the public. cores of Woolworth stores now re being converted to selfervice and by yearend it is calulated that 400 units will be on his basis.

Sales in the first four months f this year totaled $213,030,000, 6.5% rise from the 1954 period. reater sales were being attained hrough effective long-term planing in the face of vigorous cometition from all types of retailng. Woolworth should benefit rom its policy of moving into uburban shopping centers, thus guratively taking its stores to he people.

Selling around 46, Woolworth tock has been depressed by the ising need of new capital to reocate stores, set up self-service perations and a general expanion-modernization program. Another factor is the intensive cometition, which the company decribes as the most intense in its istory. While sales have risen in very one of the last six years and re expected to show another gain his year, earnings per share delined in 1953 to $3.07 and to 2.78 last year. Despite the earnngs slide, the company has coninued paying 50 cents quarterly plus 50 cents extra each spring. While some improvement in the arnings situation is in prospect, here is little likelihood of a dividend boost in the foreseeable future.

Sears and Ward

While there is a marked pattern n the merchandising field, there s sharp divergence in the mailorder segment of the business, where Sears, Roebuck and Montgomery Ward have gone their separate ways over the years. The post-war record of leader Sears has been marked by rising earnngs, sales and dividends amid a ast expansion program while unner-up Ward has sustained a marked decline in earnings and volume, although its strong financial position enabled that company to maintain a good dividend record. With the passing of Sewell Avery from the scene and spurred by the insurgent group, headed by Louis E. Wolfson, a new philosophy probably will take hold at Ward's.

John Barr, the new chairman and president, has promised favorable consideration to any changes which promise to improve the company's competitive position and increase profits. For the three months to April 30, net income was $5,137,000, or 74 cents a common share, on sales of $200,303,000 against net of $4,946,000, equal to 71 cents a share, on volume of $189,405,000 in the first three months of the preceding fiscal year. Earnings per share, nevertheless, were still way below the 96 cents shown for the like 1953 period.

Sears, also on a January 31 year, reported for the four months, February through May, sales of $1,006,571,000, a rise of 12.7% from a year earlier. Although Sears does not report earnings on a quarterly basis, stockholders were told at the annual meeting that net profit was running about 12% above 1954. As of the close of the last fiscal year, Sears had 699 retail outlets, excluding foreign stores, compared with 603 units on January 31, 1946. While this represents an increase of only slightly more than 15% in number, the floor space provided since then has risen more than 40%. In addition, the company has 11 mail-order plants, the same as in 1952 and 1953. It also owns 609 catalogue sales offices now, compared with 570 in 1953 and 546 in 1952.

Sears again would appear to be a prime candidate for better dividend treatment. In the last fiscal year, disbursements totaled $3 a share, compared with $2.75 a year earlier. Net income for the latest year rose to $5.82 a common share from $4.87 the year before. Continuance of the current high level of earnings would indicate a higher quarterly rate or a larger yearend extra. Shareholders now receive 60 cents quarterly plus a yearend extra of 60 cents. Selling at 90, Sears represents an investment issue of prime quality selling at about 14 times indicated 1955 earnings.

(*Please turn to page* 501)

TACONITE — The Nation's Ore for Tomorrow's Steel

(*Continued from page* 463)

it has reserves of one billion 500 millions tons of taconite and in the construction of a processing plant situated on a man-made harbor at Silver Bay on the north shore of Lake Superior. The new Silver Bay ore beneficiating plant, or more properly, the E. W. Davis Works, is named after "Mr. Taconite", Professor Edward W. Davis of the University of Minnesota, who 43 years ago began a study of taconite and whose labors led to the method of getting the iron out of the hard and abrasive rock. When Reserve Mining gets its new plant into operation this fall it expects to start pellet production at the rate of 3.6 million tons a year, and may, eventually, increase output to around 10 million tons annually, to feed Armco's and Republic's blast furnaces. Included in Reserve's project is a 47-mile railroad connecting the Silver Bay Plant with Babbitt where the taconite rock will go through the first crusher. This equipment, incidentally, is the product of *Allis-Chalmers Manufacturing* Co., which devoted two years or more to its designing and building. At Silver Bay, as well as at Babbitt, where Reserve Mining is now producing pellets at an annual rate of 300,000 tons, since February, 1954, Allis-Chalmers also supplied the equipment for pelletizing and heat hardening equipment, the outgrowth of a pilot plant that had its beginning in the laboratories of the Allis-Chalmers Research Division.

A few mines northwest of Aurora, Minn., the Erie Mining Co., owned by *Bethlehem Steel Corp., Youngstown Sheet & Tube Co., Interlake Iron Corp.*, and *Steel Co. of Canada*, has had a small scale taconite plant in operation since mid-1948. This plant has a rated capacity of approximately 200,000 tons annually. By 1957, Erie expects to be in large scale commercial production of taconite pellets with the opening of a new plant near Aurora costing close to $300 million. According to present plans, the initial unit will have an annual capacity of at least five million tons and this eventually will be increased to 10.5 million tons a year. From the plant, Erie Mining will, like Reserve Mining, have its own 73-mile railroad connecting the Aurora operations with harbor facilities at Two Islands on Lake Superior where the iron ore in the form of pellets will be loaded on lake vessels to be carried directly to blast furnaces situated along the lakes or transferred at lake rail heads to be hauled over the rails to inland mills.

About 20 miles away from Aurora, *United States Steel Corporation*, through its Oliver Iron Mining Division, has for the last several years pursued its program aimed at making use of the abundant supplies of taconite. Up to the present time, Steel's activities in this field have been confined to an experimental taconite milling and concentration plant at Mountain Iron, Minn., which together with the agglomerating plant at Virginia, Minn., went into operation in 1953 and made their first shipment of treated taconite ore in the form of sinters and nodules. In this respect, Steel's methods of production differ from those of the Reserve and Erie mining companies. At the Mountain Iron plant, the rock goes through the grinding and separating stages, producing concentrates which are then delivered to the agglomerating unit for processing by sintering or nodulizing. The sintering method burns the magnetite powder (mixed with a little pulverized coke) on a moving grate, producing a porous clinker of partially fused iron oxide which is then broken into lumps of convenient size. The nodulizing method involves feeding the damp magnetite "cake" into the high end of a long, rotating, brick-lined kiln where hot flames heat the magnetite so that it becomes sticky and forms into balls as it works its way down to the discharge. Although Steel regards these plants as experimental requiring an investment of about $23 million, the project is capable of turning out 500,000 tons of concentrates a year.

The Great Potentials in Jasper

What has been accomplished so far in the construction of taconite processing facilities is unquestionably only the first round of developments in a new industry. Activity along the fabulous Mesabi range is only one phase of the activity now under way. At Humboldt, Michigan, the Humboldt Mining Co., owned jointly by the Cleveland-Cliffs Iron Co. and Ford Motor Co., last year began production of ore averaging 62 per cent iron from jasper in the Marquette Range, its output for the year reaching 150,000 tons. By spring of 1956, Humboldt Mining expects to have a second jasper property in production. This is the Republic Mine where a crushing and concentrating plant is already under construction, which together with a pelletizing plant to be erected near Negaunee, Michigan, will start off with an initial output of 500,000 tons a year, thus further swelling the rising production of rich ores from taconite, jasper and other rocks of the Lake Superior District iron ranges.

Forecasts of production at the end of the next 20 years run as high as 60 million tons to a minimum of 20 million tons. At the present rate of development it appears conservative to compromise on these two figures, putting output at 40 million tons annually by 1970, fifteen years hence. This figure is apt to prove too low in view of the technological gains that should be recorded in getting the rock out of the ground, an open pit operation, and in processing as well as the tax advantages given taconite producers by the State of Minnesota. The state tax will run less than 10 cents a ton compared with 50 to 60 cents exacted on "natural" ores taken from the open pits. —END

BOOK REVIEWS

Bottoms Up!

By CORNELIA OTIS SKINNER
Author of Excuse It, Please!, etc.
With Drawings by ALAJÁLOV

We all of us know Skinner and we all of us love her. This time she takes us through the streets of Paris (just about loses us and herself, too). She introduces us to the intimacies of an annual dinner of obstetricians. We sail with her "sea-tossed muse" across the Atlantic. We stop with her for a carrot juice cocktail at a health bar. We stand with her in an elevator and watch people's eyes. We listen with her to the peculiar changes in people's voices. In a more nostalgic mood, she reminisces about early theater days on the road and discourses charmingly and lovingly on "The Bard and My Father."
Dodd, Mead $3.50

Can Merchandisers Hold New Gains in Profits?

(*Continued from page* 499)

Mercantiles over-all provide articipation in one of the most avorably situated fields at this uncture. Many of them possess ecords of uninterrupted earnings ating back to the 19th Century. Macy, as an example, has never ailed to show a profit during the 8 years it has been in business.

Stores, of course, will continue o have important problems. Among these are ever-rising labor nd service costs. Of serious conern to many stores is the decline n traffic in downtown stores, specially where this has not been ompensated by a site in the ynamic suburban shoppingenter market. And especially disurbing to all of the mercantiles as been the upsurge in the disount-house field. The stores, which once embraced the idea of Fair Trade, would do well to ork for the end of such legislaion. The return to old-fashioned ompetitive price-cutting would educe profit margins, but it ould mean increased volume and return to these stores of many ustomers who have turned to the iscount houses in recent years.

Inventories, always a vital facor in the retail field, do not apear, on an over-all basis, to be nerous in the midst of the curent business boom. Retail invenories at the end of March were bout $23.5 billion, little changed rom a year ago but lower in reation to sales. Durable-goods tocks this March were over $100 illion higher in value than at the nd of February, on a seasonally djusted basis, primarily reflectng moderately higher stocks eld by automotive dealers. Other urable-goods dealers' stocks howed little change during the onth. Non-durable goods stocks f retailers were up almost $100 illion from February to March, fter seasonal adjustment. No gnificant change was shown for ny major line of trade.

In connection with inventories, t is noteworthy that certain reilers elected the LIFO (last in, rst out) method and filed their ax returns on that basis in spite f the refusal by the Treasury to dmit that LIFO could be elected by retailers. Mercantile executives, acting on what they regarded as a favorable decision by a tax court, took the position that they would have elected LIFO had not the Treasury publicly taken the position that retailers were not eligible. They filed amended returns and claims for refunds for all prior years, whether open or not, hoping for legislative or administrative relief. The windfall would be considerable if the merchants could win their point.

In times of increasing prices, moreover, LIFO tends to reduce taxable income because the closing inventories become lower than the inventory determined under the FIFO (first in, first out) method. If these times are accompanied by increases in tax rates or the imposition of additional income taxes, such as excess profits taxes, taxpayers may reduce their income taxes by electing LIFO at the start of such a period of years. Those who elected LIFO at the beginning of World War II effected substantial savings in taxes.

Feeling in the retail trade is that the public is ripe for extensive consumption of soft goods in the literal meaning of the word "soft." For some time the public has been buying hard goods — furniture for the home, appliances to save labor and cars in record numbers. Throughout this cycle, buying of apparel has remained relatively stable. Wardrobes have been maintained at a passable level, with normal replacement, but have been barely increased in size over the past decade. Having satisfied in large measure its demand for creature comforts of the hard-goods line, the public now is shifting its interest to clothing.

Scarcely less important than inventories and personal tastes in this business are consumer credit habits. At a time when the public is heavily in debt — consumer credit and mortgage loans—there has been a renewed cry for more restrictive credit-granting policies. Credit curbs, even though tightened in fields afar from the stores (mortgage and automotive, as examples), would have an impact on the shopping habits of the public. But in the present atmosphere there is a tendency in prevailing circles to do nothing, or next to nothing, to disturb a booming economy. —END

New Vistas of Opportunity in South American Markets

(*Continued from page* 461)

Latin America has as much to gain as any underdeveloped area from this steady expansion of raw material requirements of the industrial countries, because she is rich in mineral and other resources. Moreover, with some of the U. S. high grade ore reserves being used up, as in the cases of iron, copper, and bauxite, this country is likely to turn to Canada and Latin America, if not for practical reasons, then for reasons of hemispheric security and cooperation.

Large Unutilized Natural Resources

Considering that Latin America covers an area over 2½ times as large as the United States and about seven times as large as Western Europe, it is not surprising that natural resources are large and varied. But some countries are less well endowed than others.

In the case of petroleum, for example, Venezuela's proven reserves alone are about one-third as large as those of the continental United States. Actual reserves may be much larger, since only about 17 per cent of the petroleum-bearing sedimentary area is under concession and exploitation.

In Mexico, the second largest Latin American petroleum producer, several major discoveries were made during the last three years. Although Mexican consumption is rising at the rate of about 7½ per cent a year, output has expanded enough for the country to move toward self-sufficiency. Colombia has been concentrating on pipeline and refinery construction in order to replace imports. In Argentina, petroleum production and exploration is being stepped up with the help of a foreign petroleum syndicate. Brazil, which like Argentina spends annually some $200 to $250 million for fuel imports, will probably also eventually seek outside assistance. It has been estimated that it would require investment of at least one billion dollars to make Brazil self-sufficient in crude petroleum, which was recently discovered in the Amazon Basin among other places. There is apparently petroleum also in Cuba. Both Bolivia and Ecuador are pushing their production. In Peru, new exploration has so far been disappointing.

Brazil and Venezuela have some of the world's largest and also highest grade deposits of iron ore. Production in both countries is in the early stages of development; vast iron ore bodies in both countries are suspected. Iron ore is also found in Chile, Cuba, Colombia, Bolivia and Peru. Brazil is also famous for the great variety of its ferro-alloy minerals: zircon, chrome, nickel, tungsten, and, above all, manganese. An affiliate of Bethlehem Steel is developing a huge manganese deposit in the Brazilian territory of Amapa, not far from the border of French Guinea. The project ininvolves an investment of $67 million.

The steady increase in Latin American production of zinc and lead has reflected principally enlarged operations in Peru, where the output of both zinc and lead nearly doubled in the 1949-54 period, owing to the installation of an electrothermic refinery at Cerro de Pasco. Peru also enlarged its output of copper. The development of a huge copper deposit at Toquepala in southern Peru, involving an investment of some $170 million, is reported to be under consideration.

Latin American sulphur output more than trebled during the postwar period, largely as a result of a sharp upturn in recent years in Mexican production. Prospecting has revealed the existence of at least 20 salt dome deposits. The existence of uranium deposits has been reported from at least 10 Latin American countries,—with Brazil at the head of the list. END

Answers to Inquiries

encies already achieved. The company's hardware business is in a much better position to take profitable advantage of the large building program now in process, not only in this country but throughout the world. Yale locks and other hardware products are being produced and priced to meet competition in all segments of the market.

The incoming volumes of materials handling business has increased materially in recent months and there are indications that sales should be greater in 1955 than in 1954. Expanding production in steel, metal working and other important markets for materials handling equipment is being reflected in increased sales for the company's industrial lift trucks and hoists.

Yale & Towne Manufacturing Company increased its quarterly dividend to 75 cents per share with payment made on July 1 and this compares with previous quarterly dividend of 50 cents per share. Dividends for the full year of 1954 were $2.00 per share. The company's improvement of plants and equipment and the adoption of better management methods augers well for the outlook for the balance of the year.

Mullins Manufacturing Company

"Please specify the type of business Mullins Manufacturing Co. is in and also please give recent sales volume earnings and dividends."

L. M., Syracuse, N.Y.

Mullins Manufacturing Co. is a leading manufacturer of steel kitchen equipment, and also makes numerous other products. Its "Youngstown Kitchen" is widely advertised. Low margin of defense work reduced earnings in 1954 but demand for the kitchen equipment is expected to hold up well. Prospects for the "Kold Flow" process for the cold excrusion of steel will affect operations. The 40-cent quarterly dividend yields a liberal income return.

For the 3 months to March 31, 1955 net sales were $14,798,092, net profit of $446,401, equal to 29 cents per common share based on 1,525,625 shares outstanding. This compares with first quarter 1954 net sales of $12,438,006, net profit $365,015, equal to 27 cents per share based on 1,366,335 common shares then outstanding.

The company expects to show full year 1955 consolidated net sales of about 20% higher than 1954. Mullins expects to continue to earn and pay the current $1.60 annual dividend in 1955, despite the fact that first quarter earnings failed to cover the requirements for that period.

The president of the company denied recent rumors that Mullins Manufacturing was involved in merger negotiations with other companies in its field. Nor are

(*Please turn to page* 504)

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Can Rails Continue 1955 Improvement?

(*Continued from page* 468)

Commission's power to suspend proposed new rates; and 4, shift the burden of proof from the carrier that wants new rates to the opposition, if a competitor. The primary importance of this report is that it reflects a growing public feeling that the railroads no longer have a transportation monopoly and, therefore, can no longer be regulated on that basis. Of course, the committee's recommendations will not become effective without enabling legislation, which may be some time in coming due to the opposition of competing carriers such as the trucks, air lines and water transport.

In previous articles, we have referred to the serious problem posed for the railroads by the large and growing amount of the passenger deficit. It is heartening to report that in 1954, this deficit on the basis of the I.C.C. arbitrary allocation of costs, was reduced to $669 million from the 1953 all-time high of $705 million. Particular improvement was made by the two largest carriers of passengers, the Pennsylvania and the New York Central, with the former cutting its loss from $57 million to $44 million and the latter from $52 million to $39 million. A further reduction appears probable this year as the carriers press for abandonment of unprofitable runs. The announced plans of several railroads, including the New York Central, New Haven, Pennsylvania and Rock Island, to order for 1956 delivery lightweight passenger equipment with an estimated cost per seat $\frac{1}{3}$ that of conventional cars, represents a constructive attempt to regain passenger traffic by offering faster service at lower rates. General Motors, at the request of a committee of railroad presidents, has designed a lightweight passenger train, Train Y, which will carry 400 passengers in 10 cars at a maximum speed of 100 miles per hour. This train will go into experimental service this fall.

Another growing important factor is that young and aggressive managements have created a healthy ferment in the hundred-year old industry with the iron horse being modernized from top to toe. —END

As I See It!

(*Continued from page* 445)

Second, the Russians have taken up the task of rearming and industrializing the Chinese Red Empire. Since Peiping will for many years be unable to pay for this aid, the rearming and industrialization of Red China will come out of the standard of living of the Russian people.

Third, the population of Russia is rising at an annual rate of better than 3,000,000. The clothing and feeding of these new people presents a serious problem in view of Russia's backward, neglected consumer goods industries and the critical situation into which Russian agriculture has drifted as a result of collectivization. Russia's industrial might represents, incidentally, a queer jumble of ultra-modern and even automatic plants making armaments and capital goods on the one hand, and on the other hand, unbelievably patched-up, worn out plants making consumer goods — plants which in many cases are of pre-1914 vintage.

In brief, the Soviets are up to their neck in economic troubles induced by their various commitments, by population increase, and by a crisis in the output of food. Moreover, its leaders are apparently realizing for the first time the danger of the hydrogen bomb warfare and the meaning of the encirclement of the Soviet Union by U. S. airfields. No wonder that the Kremlin is crying uncle. The cry is, of course, camouflaged by the "sincere desire" for peace. —END

What's New?

(*Continued from page* 487)

soda, is negotiating with Niagara Alkali Co., for a merger of the latter into the Hooker organization. If conversations now being carried on between directors of the two companies result in an agreement, it is expected stockholders' meetings will be held some time after the summer months to vote on the proposal. The merger, if and when consummated, will represent another step by Hooker in executing an expansion program, the company earlier this year having acquired Durez Plastics & Chemical, Inc., an important phenol producer and manufacturer of plastics. —END

Answers to Inquiries

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there any negotiations underway for any acquisition by Mullins at this time, however, if another company which would satisfactorily fit into its present set-up is found at an attractive price such an acquisition would be considered.

Net sales for the fiscal year ended December 31, 1954 were $51,667,563, net income $2,375,940, equal to $1.49 per common share based on 1,525,378 shares outstanding. This compares with 1953 net sales of $70,528,739, net income $3,330,182, equal to $2.4 per common share based on 1,366,335 shares outstanding. Balance sheet as of December 31, 1954 indicated total current assets of $23,065,129, total current liabilities of $7,097,88 leaving net current assets of $15,967,240.

The company expects demand for steel-kitchen equipment, electric dishwashers, enamel steel washing machine tubs, auto truck parts, stampings and other metal stampings should be satisfactory over coming months.

BOOK REVIEW

Qataban and Sheba

By WENDELL PHILLIPS

Harcourt Brace $5.

This is the story of a dream come true—a dream conceived by Wendell Phillips, youthful explorer, adventurer, archaeologist, and president of the American Foundation for the Study of Man, who organized and led four expeditions to find the ancient treasures of exotic civilizations long buried in the wastelands of southern Arabia.

In the tradition of the great explorers of the past, Wendell Phillips—without financial resources of his own—succeeded in firing the imaginations of businessmen, educational leaders, and even kings, to support his romantic, but scientifically sound projects. His first two expeditions in Arabia were made to Beihan, site of the ancient Kingdom of Qataban, shrouded in mystery since antiquity. But for the adventuresome archaeologist, the prize still lay ahead –Marib, capital of Shebaland, lying in forbidden Yemen. Once there, his party was captured, and only after nightmarish difficulties was it allowed to excavate Sheba's great moon temple of Awwam. Then Arab tribesmen turned on them. Phillips and his team barely escaped with their lives. In no way daunted, they went on to unveil the secrets of Oman.

Illustrated with 87 photographs

Devin-Adair $3.

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